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Financial report and audited financial statements

for the year ended 31 December 2016

and

Report of the Board of Auditors

Volume I
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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Contents

Chapter		*Page*
	Letters of transmittal	5
I.	Report of the Board of Auditors on the financial statements: audit opinion	7
II.	Long-form report of the Board of Auditors	10
	Summary	10
	A. Mandate, scope and methodology	16
	B. Findings and recommendations	17
	C. Financial performance and management	18
	D. Sustainable Development Goals	31
	E. Managing the workforce	35
	F. Procurement management	50
	G. Humanitarian affairs	55
	H. Managing the risk of fraud	60
	I. Information and communications technology affairs	62
	J. Department of Political Affairs	66
	K. United Nations Mission for Emergency Ebola Response	74
	L. Strategic heritage plan	77
	M. Management disclosures	84
	N. Acknowledgement	85
	Annexes	
	I. Status of implementation of recommendations up to the year ended 31 December 2015 (volume I)	86
	II. Status of implementation of recommendations up to the year ended 31 December 2015 (strategic heritage plan)	138
	III. Certification of the financial statements	143
IV.	Financial report for the year ended 31 December 2016	144
	A. Introduction	144
	B. International Public Sector Accounting Standards sustainability	144
	C. Overview of the financial statements for the year ended 31 December 2016	145
	D. United Nations General Fund and related funds	162
	E. Capital master plan	165

F. Liquidity 165

G. Looking forward to 2017 and beyond 166

Annexes

I. Supplementary information required by the Financial Regulations and Rules of the United Nations 167

II. Other supplementary information 168

V. Financial report for the year ended 31 December 2016 172

I. Statement of financial position as at 31 December 2016 172

II. Statement of financial performance for the year ended 31 December 2016 174

III. Statement of changes in net assets for the year ended 31 December 2016 175

IV. Statement of cash flows for the year ended 31 December 2016 176

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2016 178

Notes to the 2016 financial statements 180

Letter dated 31 March 2017 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2 of the Financial Regulations and Rules of the United Nations, I have the honour to transmit the financial statements of the United Nations for the year ended 31 December 2016, which I hereby approve. The financial statements have been certified by the Controller as correct in all material respects.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) António **Guterres**

Letter dated 30 June 2017 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you volume I of the report of the Board of Auditors on the financial statements of the United Nations for the year ended 31 December 2016.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors
(Lead Auditor)

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the operations of the United Nations as reported in volume I which comprise the statement of financial position (statement I) as at 31 December 2016 and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the operations of the United Nations as reported in volume I as at 31 December 2016, and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of the United Nations, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor's report thereon

The Secretary-General is responsible for the other information, which comprises the financial report for the year ended 31 December 2016, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as

management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the operations of the United Nations as reported in volume I to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting, unless management intends either to liquidate the operations of the United Nations as reported in volume I or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the operations of the United Nations as reported in volume I.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the operations of the United Nation as reported in volume I.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the operations of the United Nation as reported in volume I to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the operations of the United Nation as reported in volume I to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the operations of the United Nations as reported in volume I that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the operations of the United Nations as reported in volume I.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

30 June 2017

Chapter II
Long-form report of the Board of Auditors

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations as report in volume I for the year ended 31 December 2016. The audit included an examination of financial transactions and operations at Headquarters in New York, the offices at Geneva, Vienna and Nairobi and other entities, including country offices, missions and projects. The Board has also reported separately on the implementation of the information and communications technology strategy, Umoja and the capital master plan.

Opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the United Nations as reported in volume I as at 31 December 2016 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

The overall financial position of the Organization as at 31 December 2016 remains sound. Approximately 98 per cent of the regular budget was consumed in 2016 with an underspend of around $52 million, with the political affairs category accounting for an underspend of nearly $30 million. The Administration needs to continue to strengthen core business processes in human resources management, finance and procurement and accelerate progress in implementing results-based management, enterprise risk management and counter-fraud measures.

The deployment of Umoja opens new avenues for the redrawing of the processes of the Organization to deliver better value. There is a need to make use of this opportunity to utilize the data collected through the operation of Umoja in a more productive manner. The Board noted deficiencies in the process of collecting and collating information to be furnished to the actuary for valuation of employee benefits liabilities, which needed to be modified. The Board expects that the deployment of Umoja throughout the organization would help in overcoming these deficiencies.

Key findings

Financial performance

An overall deficit of $11.5 million was reported for 2016 (2015: surplus of $12.1 million), with total revenue of $5,705.99 million (2015: $5,625.24 million) and expenses of $5,717.49 million (2015: $5,613.14 million). For the regular budget, actual expenditure incurred was $2,743.3 million against a final budget of $2,795.4 million, indicating an underspend of $52.1 million.

As at 31 December 2016, total assets of $7,777.89 million were reported and the total liabilities reported were $5,397.46 million. Overall, net assets decreased by $67.15 million, from $2,447.58 million as at 31 December 2015 to $2,380.43 million as at 31 December 2016. This decrease was mainly on account of actuarial losses of $48.35 million on the valuation of employee benefits liabilities. The actuarial valuation of employee benefits liabilities for 2016 was a roll forward of the full

actuarial exercise carried out for 2015. Overall, employee benefits liabilities increased by $180 million, from $4,270.1 million in 2015 to $4,450.1 million in 2016. These liabilities, however, are covered by a large asset base comprising, inter alia, property, plant and equipment holdings, with a net value of $3,128.9 million (2015: $3,216.1 million), and total cash and investments of $2,990.3 million (2015: $2,968.1 million).

Much of the $2,990.3 million in cash and investment balances held are restricted as they relate to balances of trust funds and staff insurance fund reserves. They are, therefore, not owned by or available for the discharge of regular budget liabilities. Borrowing from the Working Capital Fund was again necessary in 2016, and as at the end of the year the balance of the Working Capital Fund was exhausted.

Overall, the financial health of the United Nations as a whole remains sound, as it has sufficient assets to cover its liabilities. However, the employee benefits liability is likely to consume an increasing portion of the regular budget over time should it remain unfunded.

Preparation of the financial statements

Although the financial statements for the year ended 31 December 2016 were generated from Umoja using the business planning and consolidation module, some accounting areas remain outside Umoja. Furthermore, there are instances of avoidable manual interventions in the business planning and consolidation module. The Board is concerned that not only does this hamper the uniform mapping of IPSAS-based accounting policies across all systems, but it also affects the timeliness and overall quality of the financial statements.

In the revised financial statements, the Administration has disclosed that the amounts of unused commitments are still being finalized and that they have preliminarily determined the level of unused commitments raised in the biennium 2014-2015 to be approximately $45.6 million. In accordance with the significant accounting policies, uncommitted balances of appropriations at the end of the budget period and expired balances of appropriations retained from prior periods are to be reported as provisions for credits to the Member States. That provision, however, has not been made by the Administration in the accounts for the year ended 2016. The Board noted that the uncertainty regarding the amount even six months after the end of the 12 month period following the end of the biennium 2014-2015 is indicative of poor internal control in monitoring unliquidated commitments, which also results in delays in release of associated credits to the Member States.

The Board found that there is inadequate control over the whole exercise of collecting and collating details of staff (both active staff and retirees) for onward transmission to the actuary. The Administration is dependent upon the various missions for sending their respective details to Headquarters. The omissions in the data sent for actuarial valuation indicates that sufficient checks are not carried out at Headquarters for ensuring their completeness. Although it was mentioned that the data pertaining to some entities had to be extracted from a number of systems other than Umoja, the Board found that details of a substantial number of international staff, data for whom resides in Umoja, had also been omitted.

Considering that the activities financed out of trust funds are similar to the activities financed out of assessed contributions, and keeping in view that the United Nations volume II financial statements present the mission-related activities separately, the Board emphasizes the need for merging the trust funds pertaining to peacekeeping operations into the United Nations volume II financial statements. In a similar manner, the trust funds pertaining to the international tribunals (the

International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia) should be a part of the respective financial statements related to the tribunals.

Sustainable Development Goals

The Board noted that the onus to strive to achieve the Sustainable Development Goals is on national Governments. The Board also recognizes, however, that the various United Nations entities could play a key role to support, facilitate and offer other forms of assistance to national Governments in achieving specific goals. The Board further noted that several goals would require close coordination and cooperation among various United Nations entities to avoid duplication of efforts and ensure synergy. The Department of Economic and Social Affairs of the Secretariat plays the coordinating role on the Sustainable Development Goals.

The Board, while noting that the overall strategy of the offices, departments and divisions is outlined in the biennial programme plans, and that the biennial programme budget constitutes the operational plan, is of the view that there is a need to further align the strategy with the requirements to systematically address the work related to the Sustainable Development Goals in order to achieve the coherence desired by the General Assembly.

The Board is concerned that any delays in the finalization of methodologies and standards for the collection of data related to the Sustainable Development Goal indicators would delay the measurement of progress towards the achievement of up to one third of the Sustainable Development Goal targets, i.e. 56 of the 169 targets, in turn affecting reliable measurement of the progress towards achieving those targets.

Managing the workforce

The Board noted the good work that has been done to make the United Nations friendlier towards staff members with disabilities. However, the Board noted that the administrative instruction for the implementation of the Secretary-General's bulletin on the subject has not yet been finalized and that the focal point required to be appointed in this regard has not yet been appointed. The Board further noted that the review of the implementation of the bulletin due after two years of its operation has not been conducted.

Mental health conditions have an adverse impact on sick leave and disability claims. While acknowledging the measures taken towards addressing mental health challenges, the Board noted significant organizational risk from undiagnosed and untreated mental illness.

Procurement management

The Board holds that procurement authority was not delegated in a structured and well-organized manner and is driven more by tradition than by substantive requirements. As a result, the organization and structure of procurement authority was fragmented and responsibilities and accountability were not clearly defined.

Humanitarian affairs

The provisions of the operational handbook for country-based pooled funds were not adhered to in various pooled funds. Delays in the disbursement of funds and the processing of projects were noticed. Monitoring and oversight were not effective, with delays noticed in the submission of the prescribed narrative and financial reports.

Managing the risk of fraud

The Board noted that the Under-Secretary-General for Management had issued the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat through information circular ST/IC/2016/25 dated 9 September 2016. The objective was to assist the Secretariat in promoting a culture of integrity and honesty within the United Nations by providing information and guidance on how the United Nations Secretariat acts to prevent, detect, deter, respond to and report on fraud and corruption.

The Board noted that though an illustrative list of cases to be considered as high risk and complex is laid down, the criteria followed are general and there is no specific guidance to determine which investigations would be considered high risk and complex. The lack of specific guidance exposes the process to the risk of arbitrariness and precludes the Administration from realizing the benefits of having put a comprehensive anti-fraud and anti-corruption framework in place.

Information and communications technology

While the Board appreciates that standardization may be beneficial for the Organization, it should not overrule the basic procurement principles of best value for money and of fair international competition. The Board notes with concern that defining a manufacturer's hardware products as standard has been used to justify contract extension over many years. In the information and communications technology (ICT) sector, market conditions and, especially, technology change rapidly. Competitive bidding should be the first line of approach. In addition to that, contract duration should comply with the time limit of five years that is used for other contract types.

Department of Political Affairs

The budget of the United Nations Assistance Mission in Afghanistan (UNAMA) for air operations amounts to nearly 10 per cent of its total budget. UNAMA operates a fleet of six air assets, three fixed-wing assets and three rotary-wing assets with contracted flying hours of 5,440 hours as against the budgeted amount of 3,000 hours.

Actual flying hours amounted to only 2,244 hours, which constitutes 75 per cent of the budgeted hours and only 41 per cent of the contracted hours. The Board also noted that the number of passengers carried was equivalent to only 42 per cent of the seating capacity.

Upon reviewing the physical verification report dated December 2016 and the stock record/register for the dates of physical verification, as provided by the United Nations Assistance Mission for Iraq (UNAMI), the Board observed that the quantity of ammunition found during physical verification was at variance with the quantity indicated in the stock record.

Strategic heritage plan

The Board acknowledges that the strategic heritage plan team has taken substantial steps towards a target-oriented framework. Nevertheless, there are areas of concern related to the timely completion of the project and further improvements needed in the fields of project governance and procurement.

Deliverables targeted for completion in 2016 have not been fully achieved. The project has experienced delays with regard to the scheduled contract signatures for the enabling works package and the construction work package for the new permanent building. Consequently, the start of the works has been delayed.

Recommendations

The Board has made recommendations throughout the report. The main recommendations are that the Administration:

Preparation of the financial statements

(a) Bring all business operations, especially those that have an impact on the financial statements, within the ambit of Umoja and eliminate all avoidable manual adjustments and interventions;

(b) Review open commitments during the year, in particular at year-end, to challenge any commitments that appear to be retained unnecessarily;

(c) Provide for commitments that remain unutilized after the lapse of the prescribed 12-month period in the financial statements pertaining to the first year of the following biennium, so as to avoid delays in the surrender of unutilized funds to the Member States;

(d) Review its procedures for providing census data to the actuary and develop a more reliable mechanism for collecting the details of all active staff and retirees from all locations and then consolidating them for onward transmission to the actuary so as to obviate the risk of incorrect valuation of employee benefits liabilities due to incomplete data;

(e) Work towards merging the financial results of trust funds that finance operations and activities pertaining to a specific reporting entity into the financial statements of that reporting entity. In the interim, pending such transition, a suitable disclosure may be provided in the United Nations volume I financial statements;

Sustainable Development Goals

(f) Continue to closely review and monitor the development of the measurement methodology for indicators of the Sustainable Development Goals to ensure timely completion of the work;

Managing the workforce

(g) Monitor the implementation of the Secretary-General's bulletin on employment and accessibility for staff members with disabilities in the United Nations Secretariat and expedite the process of appointing the focal point for better monitoring of compliance with the policy;

(h) Consider necessary adjustments in the strategy to address the work days lost owing to mental health disorders and expedite implementation of the occupational safety and health management framework to better align with the timelines recommended by the High-level Committee on Management in March 2015;

Procurement management

(i) Define clear criteria for delegating procurement authority, including thresholds, to United Nations entities;

Humanitarian affairs

(j) Ensure that: (a) all country-based pooled funds adhere to the standards set out in the operational handbook for country-based pooled funds; and (b) a human resources review of the Humanitarian Financing Units is

completed expeditiously to identify the criteria for determining the number and profile of staff required for optimally managing the country-based pooled funds;

Managing the risk of fraud

(k) Closely monitor the progress of the fraud risk assessment to ensure timely achievement of the intended outcomes of the exercise;

(l) Ensure issuance of clear and detailed criteria for determining high-risk and complex investigations;

Information and communications technology affairs

(m) Ensure that the Procurement Division, in coordination with other stakeholders, review the process for purchasing standardized ICT commodities in order to strike a balance between the need for standardizing requirements and compliance with procurement principles. In particular, ICT hardware of low complexity and limited interoperability should be standardized. As a practice, the technical specifications should be standardized, or the reasons for the non-feasibility of standardizing technical specifications should be analysed and documented;

Department of Political Affairs

(n) Realistically assess the requirement for air assets and ensure that the air assets contracted are in line with the budgeted requirements;

(o) Strengthen the internal control mechanism at UNAMI for the management of weapons and ammunition;

Strategic heritage plan

(p) Take effective action during the procurement process for the strategic heritage plan of the United Nations Office at Geneva because any further delay will jeopardize meeting the envisaged start date of the construction. At the same time, accuracy and rigorous leadership of actions must be ensured because weaknesses in that regard may cause further delays.

Follow-up on previous recommendations

As at 31 December 2016, of the 98 extant recommendations outstanding up to the year ended 31 December 2015, 17 (18 per cent) had been fully implemented, 66 (67 per cent) were under implementation, 10 (10 per cent) had not been implemented and five (5 per cent) had been overtaken by events. The Board noted that the percentage of implementation has increased from 9 per cent in 2015 to 18 per cent in 2016 and that preliminary steps have been taken towards implementation in nearly 67 per cent of the outstanding recommendations. The Administration should build on the preliminary steps and ensure implementation of the recommendations within a defined time frame.

Key facts	
$5.71 billion	Total revenue
$5.72 billion	Total expenses
$11.49 million	Deficit for the year
$7.78 billion	Assets
$5.40 billion	Liabilities
$2.38 billion	Total net assets
$2.40 billion	Employee salaries, allowances and benefits

A. Mandate, scope and methodology

1. The United Nations, founded in 1945, provides the main forum for its 193 Member States to meet and take collective measures through its principal organs: the General Assembly, the Security Council, the Economic and Social Council, the Trusteeship Council, the International Court of Justice and the Secretariat. Under the Charter of the United Nations, the Organization can take action on a wide range of vital and complex issues. The Organization comprises a Headquarters in New York made up of multiple departments and offices, as well as entities (many with their own governance structures and systems) and offices away from Headquarters and projects across the globe. The United Nations employs over 40,000 staff to deliver its mandates.

2. The financial statements for the operations of the United Nations as reported in volume I encompass the full range of activities, entities and programmes falling under the auspices of the Secretariat and include all funds other than those of peacekeeping operations, United Nations escrow accounts, the United Nations Compensation Commission, the International Tribunal for the Former Yugoslavia, the International Criminal Tribunal for Rwanda, the International Residual Mechanism for Criminal Tribunals, the United Nations Human Settlements Programme (UN-Habitat) and the United Nations Environment Programme (UNEP), among others, which are reported separately.

3. The 2016 financial statements were prepared under the International Public Sector Accounting Standards (IPSAS) and comprise five separate primary statements supported by explanatory notes.

4. The Board of Auditors has audited the financial statements of the United Nations as reported in volume I for the financial year ended 31 December 2016 in accordance with General Assembly resolution 74 (I). The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The latter require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

5. The Board conducted the audit at various offices and divisions at Headquarters in New York and the offices at Geneva, Vienna and Nairobi, in addition to visiting operations, projects and offices in Afghanistan and Iraq, the regional commissions in Addis Ababa and Bangkok and the International Court of Justice in The Hague. The Board coordinated its work with the Office of Internal Oversight Services (OIOS) to avoid unnecessary overlap of effort and to determine the extent of reliance that could be placed on its work. The Board's report was discussed with the

Administration, whose views have been appropriately reflected. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly.

Scope

6. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the United Nations as at 31 December 2016 and the results of its operations and cash flows for the financial period, in accordance with IPSAS. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent the Board considered necessary to support its audit opinion.

7. The Board also reviewed the operations of the United Nations under financial regulation 7.5, focusing on areas of fundamental importance to the capability, effective management and reputation of the United Nations, in particular financial performance and management (see sect. C below), the Sustainable Development Goals (sect. D), managing the workforce (sect. E), procurement management (sect. F), humanitarian affairs (sect. G), managing the risk of fraud (sect. H), ICT affairs (sect. I), the Department of Political Affairs (sect. J), the United Nations Mission for Emergency Ebola Response (UNMEER) (sect. K) and the strategic heritage plan (sect. L).

B. Findings and recommendations

Follow-up on previous recommendations

8. As at 31 December 2016, of the 98 extant recommendations, 17 (18 per cent) had been fully implemented, 66 (67 per cent) were under implementation, 10 (10 per cent) had not been implemented and five (5 per cent) had been overtaken by events (see table II.1).

9. Overall, the Board considers that the Administration has made some progress in implementing its recommendations, but that the progress has not been adequate. The Board noted that in a number of cases, preliminary actions have been initiated. The Board emphasizes that further work needs to be done for the recommendations to be considered implemented. Annex I provides a more detailed summary of the action taken in response to the Board's previous recommendations and a summary is provided in table II.1 below:

Table II.1
Status of implementation of recommendations

	Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
Total	**17**	**66**	**10**	**5**
Percentage	18	67	10	5

Source: Board of Auditors.

C. Financial performance and management

Preparation of the financial statements

10. In comparison with last year when there was considerable delay in the finalization of the financial statements, the Secretariat presented the 2016 financial statements for audit on 31 March 2017, the date prescribed in the Financial Regulations and Rules. Although the 2016 financial statements were generated from Umoja using the business planning and consolidation module, there are still some accounting areas that remain outside Umoja. The special political missions continue to manage their property, plant and equipment and inventory in Galileo. Similarly, legacy systems are employed for managing all the business processes in, inter alia, the International Court of Justice, the United Nations Regional Centre for Preventive Diplomacy for Central Asia and the United Nations Office at Vienna (for the Vienna International Centre). The financial results of these entities and areas are adjusted by manual intervention. Furthermore, there were also instances of such interventions in the business planning and consolidation module. The Board is concerned that not only does this hamper the uniform mapping of IPSAS-based accounting policies across all systems, it could also affect the timeliness and the overall quality of the financial statements.

11. **To ensure the timely preparation of high-quality financial statements for the year ending 31 December 2017, the Board recommends that the Administration bring all business operations, especially those that have an impact on the financial statements, within the ambit of Umoja and eliminate all avoidable manual adjustments and interventions.**

12. The Administration stated that as part of the Umoja conversion strategy, a few accounting areas needed to temporarily remain outside Umoja, such as the property, plant and equipment and inventory managed in Galileo. The Administration added that the operations of the International Court of Justice and the United Nations Regional Centre for Preventive Diplomacy for Central Asia were not considered as part of the conversion strategy from the beginning owing to the relatively small size of their operations and the effectiveness of their existing practices. With regard to the Vienna International Centre, the Administration stated that as the United Nations Industrial Development Organization (UNIDO) maintains the asset records of the Centre, it was considered more prudent and efficient to record the transactions related to the Centre in Umoja based on the information provided by UNIDO. It was added that the Administration will assess the feasibility of converting them into Umoja.

13. As regards manual adjustments and interventions in the business planning and consolidation module, the Administration stated that the conversion of Galileo and further updates to the automatic elimination rules in the module will minimize the manual adjustment effort in the next set of financial statements.

Financial overview

14. An overall deficit of $11.5 million was reported for the year 2016 (2015: surplus of $12.1 million), with a total revenue of $5,705.99 million (2015: $5,625.24 million) and expenses of $5,717.49 million (2015: $5,613.14 million). For the regular budget, actual expenditure incurred was $2,743.3 million against a final budget of $2,795.4 million, indicating an underspend of $52.1 million.

15. As at 31 December 2016, the total assets reported were $7,777.89 million while the reported liabilities were $5,397.46 million. Overall, net assets decreased by $67.15 million, from $2,447.58 million as at 31 December 2015 to

$2,380.43 million as at 31 December 2016. This decrease was attributable mainly to actuarial losses of $48.35 million on the valuation of employee benefits liabilities. Overall, employee benefits liabilities increased by $180 million, from $4,270.1 million in 2015 to $4,450.1 million in 2016. These liabilities, however, are covered by a large asset base comprising, inter alia, property, plant and equipment holdings, with a net value of $3,128.9 million (2015: $3,216.1 million), and total cash and investments of $2,990.3 million (2015: $2,968.1 million).

16. Much of the $2,990.3 million in cash and investment balances held are restricted as they relate to balances of trust funds and staff insurance fund reserves. They are, therefore, not owned by or available for the discharge of regular budget liabilities. Borrowing from the Working Capital Fund was again necessary in 2016 and as at the end of the year the balance of the Working Capital Fund was exhausted.

17. The financial report prepared by the Secretariat and presented in chapter IV provides a comprehensive overview of the financial position of the United Nations. Overall, the financial health of the United Nations as a whole remains sound, as it has sufficient assets to cover its liabilities. However, the employee benefits liability is likely to consume an increasing portion of the regular budget over time should it remain unfunded.

18. The Board has examined a range of key financial ratios (see table II.2), which also confirm that the Organization has sufficient assets overall to meet both short-term and longer-term liabilities.

Table II.2
Financial ratios

Description of ratio	*31 December 2016*	*31 December 2015 (restated)*	*31 December 2014 (restated)*
Current ratio[a]			
Current assets: current liabilities	3.41	2.89	2.72
Total assets: total liabilities[b]			
Assets: liabilities	1.44	1.46	1.29
Cash ratio[c]			
Cash plus short-term investments: current liabilities	2.28	1.77	1.50
Quick ratio[d]			
Cash plus short-term investments plus accounts receivable: current liabilities	3.11	2.57	2.35

Source: Analysis by the Board of the United Nations financial statements (volume I) for 2015.

[a] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[b] A high ratio is a good indicator of solvency.

[c] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents and invested funds there are in current assets to cover current liabilities.

[d] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

Budget preparation and monitoring

19. Statement V reported in the financial statements, following the adoption of IPSAS, presents actual expenditure for the financial year against the budget for that year. Statement V of the United Nations volume I financial statements for 2016 reported an underspend of $52.1 million against the regular budget allocation for the

year. Further analysis indicated that the most significant underspend was in the political affairs category, amounting to $29.43 million. The budgeting cycle in the United Nations being biennial, the unspent balances against the budgetary allocation for the first year are rolled over to the second year.

20. The first performance report on the programme budget for the biennium 2016-2017 (A/71/576), issued in November 2016, considers only the effect of inflation, currency exchange rate variations, additional mandates approved by the General Assembly or Security Council and unforeseen or extraordinary items. The trend of actual expenditures in the first year of the biennium and the overspends and underspends against the apportionment for the year are not considered in that report. Since the annual budgetary allocation reflected in statement V, especially in the first year of the biennium, is not adjusted for actual consumption and is based only on broad parameters considered in the first performance report, the comparative information presented therein cannot be leveraged for more informed decision-making and budget monitoring.

21. The Board is of the opinion that the actual consumption figures for the first 10 months of the biennium should be factored in for framing revised estimates and for adjusting budgetary allocations for the first and subsequent year at the time of the first performance report. This would add value to the budget preparation and monitoring exercise and help in ensuring a more dynamic watch over expenditure trends.

22. **The Board recommends that the Administration review the methodology for the preparation of the first performance report to include consideration of actual expenditures so as to strengthen monitoring of the budgeting process and to make the information presented in statement V in the financial statements more expedient for decision-making.**

23. The Administration stated that the first performance report is prepared in line with existing methodology, approved pursuant to General Assembly resolution 32/211. It was added that the primary purpose of the first performance report is to identify revised estimates required because of variations in the rates of inflation and exchange and in standards since the calculation of the initial appropriations, and stated that the report does not cover expenditures at that stage since the budget period covers two years in line with regulation 1.3 of the Financial Regulations and Rules. The Administration further stated that following the suggestion of the Board would mean the report would need to include projected expenditures for 14 months of the biennium on the basis of actuals in the first 10 months, which is still too early to make meaningful projections for the biennium. The Administration added that, therefore, actual expenditures are considered in the context of the second performance report, which would be submitted to the General Assembly for its review in the last quarter of 2017, prior to the closing of both the financial period for 2017 and the budget period for 2016-2017. The Administration further stated that, in line with IPSAS 24, for comparison purposes, the biennial regular budget is broken down into annual components in order to fulfil the requirements for the preparation of annual financial statements.

24. While noting that the Administration is following the prescribed procedure, the Board reiterates that factoring in the expenditure figures when preparing the first performance report would add value to the budget preparation and monitoring exercise.

Unliquidated obligations

25. The reported expenditure for the biennium 2014-2015 includes unliquidated obligations of $164.9 million. These obligations reflect the expected costs of goods

and services received in the financial period but not yet paid and obligate funds expected to be required to settle any other outstanding legal obligation of the financial period. These were required to be closed by 31 December 2016 in accordance with financial regulation 5.4.

26. In the revised financial statements for the year ended 31 December 2016, the Administration has disclosed that the amounts of unused commitments are still being finalized (in June 2017) and that the level of unused commitments raised in the 2014-2015 biennium has preliminarily been determined to be approximately $45.6 million. It has also been disclosed that this amount will be surrendered to the Member States after it has been finalized.

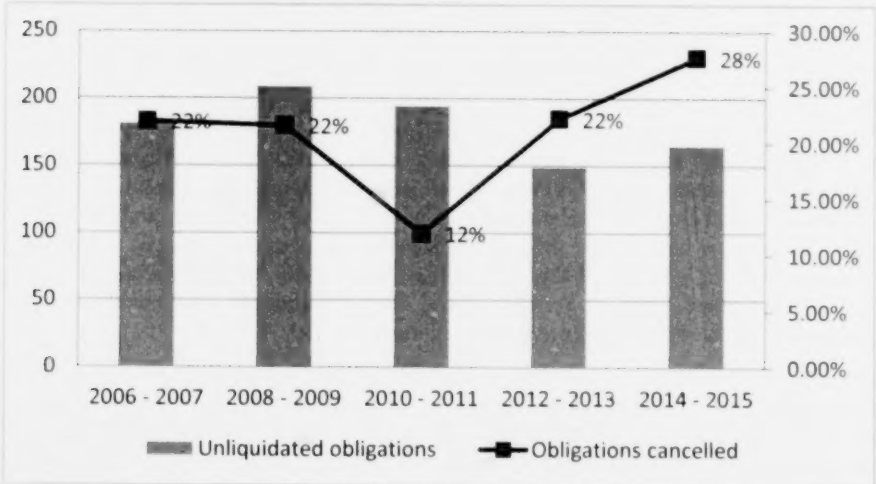
27. Considering that six months have lapsed since the close of the 12 month period following the end of biennium 2014-2015, the uncertainty regarding the amounts of unused commitments is indicative of poor internal control in monitoring unliquidated commitments and lack of enforcement of budget boundaries across bienniums.

28. Furthermore, as stated in paragraph 78 of chapter V of the present report containing the revised financial statements for 2016, under note 3, Significant accounting policies, uncommitted balances of the appropriations at the end of the budget period and expired balances of appropriations retained from prior periods are to be reported as provisions for credits to Member States. These provisions will remain until the General Assembly decides the manner of their disposal. Therefore, the disclosure by the Administration is inconsistent with the accounting policy.

29. It is pertinent to note that the Board had raised this issue in its previous report (A/71/5 (Vol. I), chap. II, paras. 50-55), wherein it was pointed out that the Administration had cancelled 22 per cent of the unliquidated obligations recorded at the end of three of the previous four bienniums, ending in the biennium 2012-2013. The Board noted that the trend has continued in the biennium 2014-2015, when $45.6 million of the unliquidated obligations of $164.9 million, i.e. 28 per cent, will need to be cancelled, as shown in the figure II.I.

Figure II.I
Cancelled unliquidated obligations 2006-2015[1]

(Thousands of United States dollars and percentage)



[1] The figure for the biennium 2014-2015 is the figure disclosed in the financial statements as preliminarily determined.

30. Regular cancellation of such a significant proportion of unliquidated obligations indicated that there is considerable scope to improve the way in which they are validated at year-end. Furthermore, the overstatement of obligations at the end of the biennium and their subsequent cancellation delays the release of associated credits to the Member States.

31. **The Board reiterates its recommendation that the Administration improve scrutiny of open commitments at year-end by providing more guidance on identification and retention of open commitments.**

32. **The Board further reiterates that the Administration should review open commitments during the year, in particular at year-end, to challenge any commitments that appear to be retained unnecessarily.**

33. **Furthermore, the Board recommends that commitments that remain unutilized after the lapse of the prescribed 12 month period be provided for in the financial statements pertaining to the first year of the following biennium, so as to avoid delays in the surrender of unutilized funds to the Member States.**

34. The Administration stated that the Office of Programme Planning, Budget and Accounts of the Secretariat will continue to strengthen the monitoring and scrutiny of open commitments at year end in line with the recommendation of the Board. It was added that more detailed guidance will be provided to entities on reviewing open commitments and the need to retain commitments in the context of the second performance report for the biennium 2016-2017 and for the 2017 year-end closure.

Property, plant and equipment

Capitalization and disposal of assets

35. An examination of a sample of 179 assets acquired in 2016 revealed inaccuracies in the capitalization of 33 assets on account of, inter alia, incorrect depiction of the year of capitalization, undervaluation and incorrect depreciation.

36. The Administration acknowledged the inaccuracies noticed by the Board and assured the Board that they will take the necessary measures to appropriately strengthen the internal control systems in processing asset acquisition and capitalization.

37. While reviewing the asset master record, the Board noticed that the useful life recorded against 687 individual items of property, plant and equipment did not match with the policy disclosed in the financial statements.

38. The Administration stated that a review of useful lives of building and infrastructure assets was done in 2013 and the remaining lives were reported (for nine assets). The Board was also informed that the useful lives in respect of the balance of 678 assets were within the useful life range at the asset class level. While the Board appreciates that the useful lives of some assets had been arrived at as a result of a review, this fact ought to have been disclosed in the financial statements. Besides, applying a range of useful life at the asset class level (some asset classes have a wide range, such as between 5 and 20 years in respect of machinery and equipment) is not in line with the stated accounting policy.

39. The Board noted that nine assets having a gross value of $8.5 million were derecognized in 2016. The Board further observed that one of these nine assets with an asset value of $8.4 million was wrongly shown as having been disposed of. This had also affected the notes to the financial statements, as paragraph 128 under note 15 in the pre-revised accounts specifically identified this asset as having been disposed of during the year.

40. The Board also noticed that the process for disposal of assets after they had been derecognized was slow, with 798 assets awaiting disposal, some of which had been derecognized nearly two years previously. The Board also noted cases of rectifications and adjustments to remove duplications or wrong capitalization being recorded as disposals.

41. **The Board recommends that the Administration review and appropriately strengthen the system of asset capitalization in view of the inaccuracies noticed. The Board further recommends that internal controls in connection with the disposal of assets be strengthened, necessary rectifications be carried out and ad hoc adjustments be eliminated.**

42. The Board noted that the Administration subsequently reversed the wrongly derecognized asset with a value of $8.4 million and adjusted the figures and the corresponding notes in the 2016 financial statements. The Administration stated that they will strive to strengthen the internal control systems while processing asset derecognition and asset disposal transactions.

Useful life of property, plant and equipment

43. The Administration has been writing back 10 per cent of the depreciation in case of fully depreciated assets without a review of the residual value and useful life of the asset at each annual reporting date as mandated by IPSAS 17. The Board had earlier also recommended that the Administration review the estimated useful lives of various classes of assets to be adopted for the purpose of calculating depreciation prospectively. The recommendation was accepted by the Administration, who informed the Board that review of the useful lives of assets was part of the financial year 2015 workplan.

44. The Board noted, however, that a review of useful lives and residual values of fully depreciated assets had not yet been carried out. Instead, the Administration wrote back 10 per cent depreciation on 31 December 2016 to reduce the accumulated depreciation for assets which were fully depreciated but still in use. This accounting adjustment, meant purely for financial reporting purposes, was reversed on 1 January 2017. As stated by the Administration, the aim of this exercise was to reflect some economic value to those assets at year-end. The Board considers this to be an ad hoc arrangement and not a substitute for a full review of the useful lives of assets.

45. The Administration acknowledged the importance and the need to review the useful lives and residual values of equipment assets in general and fully depreciated assets still in use in particular and stated that it planned to perform the review in the period 2017-2018.

46. **The Board recommends that the Administration expeditiously carry out a regular review of the residual value of assets in general and its fully depreciated assets that are still in use in particular, and appropriately assign useful lives and residual values to the assets so as to correct the ad hoc practices presently followed in this regard.**

47. The Administration acknowledged the recommendation and stated that the review will be undertaken in the course of the 2017-2018 period.

Risks arising out of the use of legacy systems in asset accounting

48. Different component entities of the United Nations volume I financial statements maintain their assets in multiple software systems. Special political missions maintain their assets in Galileo, except for real estate assets which are maintained in Umoja. A set of other entities, such as the International Court of

Justice, the United Nations Regional Centre for Preventive Diplomacy for Central Asia and the United Nations Office at Vienna/Vienna International Centre, maintain their assets in other legacy systems, including in Excel worksheets. The assets maintained in Galileo and other legacy systems are migrated to Umoja manually through General Ledger code 27196014, which reported a significant balance of $162.75 million as at 31 December 2016. The Board noticed that these balances were subsequently reclassified in the business planning and consolidation module through manual adjustments into different classes of assets on the basis of the asset class in which they were recorded in the legacy system. The use of multiple software systems for recording assets reported in the United Nations volume I financial statements, coupled with their manual migration to Umoja and subsequent manual reclassification in the business planning and consolidation module, points to poor internal control and raises concerns regarding accuracy of the recording.

49. While sharing the above concerns of the Board, the Administration informed the Board that the work of decommissioning Galileo and conversion into Umoja had begun and was expected to be completed by September 2017. It further stated that it was also currently assessing the feasibility of migrating from the other legacy systems into Umoja.

Use of the standard cost approach for valuing assets

50. IPSAS 17 requires that an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. However, self-constructed assets in special political missions are measured using a standard-cost approach based on depreciated replacement cost, as materials required for construction are still maintained in Galileo which does not have the functionality to calculate and charge actual costs to individual projects under construction.

51. While the Board appreciates the necessity for using the standard-cost approach for valuing existing assets at IPSAS transition, continued use of this approach for fresh acquisitions in political and peacekeeping missions is not consistent with IPSAS. As the Galileo software does not capture actual costs incurred on assets, the difference between capitalized values and actual costs cannot be traced, which raises further concerns regarding internal controls over capitalization of assets.

52. In the determination of the cost of an asset, associated costs such as freight, import duties, insurance and other costs often account for a substantial part of the asset's cost. IPSAS 17 requires that an item of property, plant and equipment that qualifies for recognition as an asset shall be measured at its cost. The associated costs incurred are an element of cost and need to be captured and recognized for each asset.

53. The Board, however, observed that instead of applying actually incurred costs, the associated costs of acquired items of property, plant and equipment are being determined by applying a standard cost percentage to the cost of the acquired asset in all cases. This is 20 per cent of the purchase price for property, plant and equipment for peacekeeping operations and 4 per cent for property, plant and equipment in all other entities.

54. The Board was provided with memorandums giving an analysis of standard costs that were used as a basis for the deployment of the standard cost methodology for IPSAS adoption and the design of the Umoja system. On the basis of the analysis, the standard cost percentage of 20 per cent for peacekeeping operations and special political missions was arrived at. However, in the records furnished to the Board, it is mentioned that the United Nations IPSAS team had recommended ongoing performance of analysis to validate the reasonableness of the standard cost percentage. The Board did not find evidence of such an ongoing analysis to validate

the continued usage of a standard cost methodology. The Board's analysis of capitalization of fixed assets in the Office for the Coordination of Humanitarian Affairs of the Secretariat showed that in 7 out of 10 cases sampled, the capitalized value of assets after applying the standard cost was less (14.5 per cent) than the actual cost of those assets. The Board noted that allocating standard costs, instead of actual costs, to property, plant and equipment items is inconsistent with IPSAS provisions and could lead to inaccurate capitalization of assets.

55. **The Board recommends that the Administration migrate assets in all legacy systems, including Galileo, into Umoja on a priority basis to eliminate manual entries and adjustments and strengthen internal controls, and adopt a uniform IPSAS-compliant basis for measurement of all assets (including real estate assets).**

56. **The Board recommends that the Administration phase out the standard cost methodology and align its accounting with IPSAS requirements of valuing property, plant and equipment assets.**

57. The Administration stated that the work has already commenced to decommission Galileo and that they are also committed to conducting a feasibility assessment on migrating assets maintained in other legacy systems.

58. The Administration noted the recommendation on phasing out the standard cost methodology and stated that they will review the standard rates and evaluate the means to introduce the use of actual cost once Umoja becomes the book of record for property, plant and equipment in the entire United Nations Secretariat and entities reported under volume I.

Employee benefits liabilities

59. The United Nations volume I financial statements for 2016 reflect defined end-of-service/post-employment benefits liabilities valued at $4,337 million (2015: $4,135 million). The measurement of these liabilities was based on the actuarial valuation report prepared by an external actuary. A full actuarial valuation exercise was conducted in 2015 to arrive at actuarial liabilities as at 31 December 2015, and a roll-forward, with an updated discount rate was done for valuing employee benefits liabilities as at 31 December 2016.

60. The Board reviewed the participant data supplied by the Administration to the actuary for the full actuarial valuation and observed that 1,041 active employees and 96 retirees were missing from the data. Further, details of retirees of 14 special political missions were not found in the staff details sent to the actuary.

61. The Administration attributed these omissions to the fact that the participant data had to be extracted from the Integrated Management Information System (IMIS) and a number of other systems used for payroll functions at various special political missions and some other entities.

62. On the recommendation of the Board, the Administration agreed to have the impact of the exclusion of staff (active staff and retirees) on the valuation of employee benefits liabilities evaluated. The administration identified and forwarded the details of 932 active employees and 19 retirees to the actuary. Based on the advice of the actuary, the figures of employee benefits liabilities were restated by adding $56.3 million to the employee benefits liabilities in 2016 and adding $51.2 million in 2015.

63. The Board finds that there is inadequate control over the whole exercise of collecting and collating details of staff (active staff and retirees) for onward transmission to the actuary. The Administration is dependent upon the various

missions for sending their respective details to Headquarters. The omissions in the data sent for actuarial valuation indicates that sufficient checks are not carried out at Headquarters for ensuring their completeness. Although it was mentioned that the data pertaining to some entities had to be extracted from a number of systems other than Umoja, the Board found that the details of a substantial number of international staff, data for whom resides in Umoja, had also been omitted.

64. **The Board recommends that the Administration review its procedures for providing census data to the actuary and evolve a more reliable mechanism for collecting details of all active staff and retirees from all locations and then consolidating them for onward transmission to the actuary so as to obviate the risk of incorrect valuation of employee benefits liabilities due to incomplete data.**

65. The Administration agreed with the Board's recommendation in relation to delivery of census data required for the actuarial valuation of employee benefits liabilities. The Administration added that with the implementation of Umoja in cluster 5 in November 2016, all active staff of the United Nations Secretariat are now incorporated into a single system, and they stated that this will significantly contribute to avoiding a recurrence of the difficulties experienced in the past with regard to the accuracy and timeliness of census data collection. The Administration further stated that additional controls will be put in place to ensure timeliness in the receipt of the census data, as well as data accuracy and consistency in respect of retired local staff enrolled for after-service health insurance in the medical insurance plan who continue to be administered locally, outside of Umoja.

66. The Administration further stated that the Office of Programme Planning, Budget and Accounts is working with the technical teams of Umoja and the Office of Information and Communications Technology in developing a mechanism to extract data from Umoja, which is the single source of data for all active staff across the United Nations Secretariat. The Office of Programme Planning, Budget and Accounts is also working towards putting additional controls in place to ensure timeliness in the receipt of census data, as well as data accuracy and consistency in respect of retired local staff enrolled in after-service health insurance.

Recognition of voluntary contributions

Contributions with conditions

67. IPSAS 23 requires that inflow of resources from a non-exchange transaction recognized as an asset must be recognized as revenue only to the extent that stipulations on a transferred asset do not give rise to a present obligation, i.e. there are no conditions attached to the asset. The Administration has been following a blanket policy of treating all agreements for voluntary contributions with the European Union and the European Commission under the Financial and Administrative Framework Agreement[2] as conditional and all others as unconditional.

68. The Board's examination of a sample of voluntary contribution agreements (other than those under the Financial and Administrative Framework Agreement) indicated that some of these agreements (e.g., agreements with Belgium, Canada, Germany and the United Kingdom of Great Britain and Northern Ireland) had stipulations similar to those included in the agreements under the Framework Agreement. An analysis of the extent of refunds made in respect of agreements not under the Framework Agreement revealed that revenue was recognized in

[2] The Financial and Administrative Framework Agreement was signed between the European Community and the United Nations on 29 April 2003. It applies to all contribution-specific agreements signed between both organizations after that date.

2,354 grants in 2016 and refunds amounting to $5.48 million were made in the year in respect of 136 grants (6 per cent).

69. Responding to the Board's observation on this matter, the Administration clarified that the stipulations included in the agreements not under the Framework Agreement examined by the Board did not impose a performance obligation on the recipient and did not meet the criteria for recognizing the contributions under these agreements as conditional. The Administration further informed the Board that a detailed analysis was performed by the IPSAS team, which confirmed that the only agreements that had cases of return of funds due to non-performance or partial performance were agreements under the Framework Agreement. The Administration further stated that they continue to monitor performance of agreements (apart from those under the Framework Agreement) and so far no cases which meet the criteria of conditionality have been identified.

70. The Board is of the view that some of the agreements treated as unconditional do have clauses that would put them on a par with agreements under the Framework Agreement when measured against the criteria for determining conditionality. As such, the Board has concerns over the policy of rigid and blanket treatment of contributions made under the Framework Agreement and not under the Framework Agreement and expects that a due diligence process is followed in reviewing each voluntary contribution agreement to conclude whether it is conditional or not.

71. **The Board recommends that the Administration follow a rigorous policy of reviewing the individual voluntary contribution agreements of donors on a case-by-case basis and reiterates that it should: (a) recognize in assets the inflow of resources from binding agreements when it is probable that the future economic benefits will flow to the United Nations and the fair value can be reliably measured; (b) separately recognize in liabilities an outflow of resources when conditions exist requiring the contribution to be consumed as specified or be returned to the donor; and (c) recognize the inflow of resources as revenue except to the extent that a liability has been recognized for the same inflow.**

72. The Administration reiterated its reply but did not proffer any specific reasons for treating similar provisions in agreements under the Framework Agreement and agreements not under the Framework Agreement differently. The Board, while noting the response of the Administration that a detailed review of voluntary contribution agreements for conditionality was done prior to the implementation of IPSAS, is of the view that agreements having similar provisions need to be treated in the same manner unless there is a reason not to do so.

Fair value of multi-year contributions

73. Pursuant to a recommendation of the Board of Auditors, the Administration has been recognizing up front, as revenue, contributions pledged in binding multi-year agreements. However, such contributions are being accounted for at their nominal value. These contributions have maturities extending for as long as 14 years and, out of net receivables of $860.71 million as at the end of 2016, a significant proportion ($465.57 million, accounting for 54 per cent) will be due only after financial year 2017, with $110.75 million (13 per cent) falling due after more than five years.

74. IPSAS 23 provides that an asset acquired through a non-exchange transaction is initially to be measured at its fair value as at the date of acquisition. Considering the amount of the voluntary contributions receivable and their long horizons, the Board considers that their depiction at nominal value is not consistent with fair value considerations.

75. **The Board recommends that the Administration recognize multi-year contributions at net present value using appropriate discount rates to reflect their fair value.**

76. The Administration accepted the recommendation. It recognized multi-year contributions at net present value using the Federal Reserve treasury rates to reflect the fair value of the long-term receivables and adjusted the 2016 financial statements and made a corresponding disclosure in the notes to the financial statements accordingly.

Transfers to implementing partners

77. The Board, in its management letter to the Department of Management of 17 March 2015 had recommended that outstanding advances to implementing partners should be derecognized in the opening balances where control of the asset could not be demonstrated at the reporting date. In response, the Administration has adopted a blanket practice of expensing all transfers to implementing partners without a check on whether the United Nations has retained control of such transfers. This is evident from the notes to the United Nations volume I financial statements for 2016, which state that transfers to executing agencies or implementing partners are recognized as an expense when funds are disbursed by the Organization (note 29, para. 202).

78. The Board observed that transfers had been made to implementing partners from funds received through voluntary contributions made by the European Union/ European Commission under the Financial and Administrative Framework Agreement. Considering that revenues in these cases are treated as conditional, it is expected that the United Nations would retain control of the transfers made out of these revenues to implementing partners for specific implementation goals. However, the transfers to implementing partners even in such cases have been expensed indicating loss of control over these transfers. The Board finds this to be a dichotomous situation as the United Nations bears the risk of conditional contributions but does not pass the associated risk downstream to the implementing partners. The Board, therefore, emphasizes that agreements with implementing partners involving grants received by the Organization that are passed through under conditional agreements should have adequate provisions establishing United Nations control over such transfers to implementing partners to match the conditions in the respective upstream agreements.

79. The Administration pointed out that the present accounting treatment of transfers made to implementing partners follows extensive testing of funding documents which showed that none of the funding to implementing partners could be treated as an advance, as also concluded by the Board.

80. The Board affirms that the issue raised is not about accounting of contributions but rather about the need to incorporate suitable conditions in the agreements with implementing partners to enable the United Nations to retain control over those transferred assets which it itself had received from donors under conditional agreements.

81. **The Board recommends that the Administration follow a policy of reviewing agreements with implementing partners, particularly in cases of downstream transfers of conditional grants to the implementing partners, to ensure that the Administration retains control of the asset transferred and recognizes such transfers appropriately in line with IPSAS provisions.**

82. The Administration responded by stating that the conditionality in the donor relationship does not shift to a relationship with the partners which implement

projects, and added that the conditionality relates only to revenue recognition, while transfers to implementing partners relate to expense recognition. The Administration further stated that there is no direct correlation or matching between revenue recognition and expensing on disbursement to the implementing partners and concluded that the Financial and Administrative Framework Agreement with the European Union should not be considered as a factor in determining United Nations control on the transfer to implementing partners.

83. The Board noted that the Administration acknowledges the fact that the conditionality existed only in the donor agreements and not in the agreements with the implementing partners, leading to a dichotomous situation wherein the United Nations bears the risk of conditional contributions but does not pass the associated risk downstream to the implementing partners. The concern of the Board is the need to incorporate suitable conditions in the agreements with implementing partners to enable the United Nations to retain control over transferred assets which it itself has received from donors under conditional agreements.

84. The Administration further informed the Board that in order to add clarity to the treatment of asset purchases by the United Nations implementing partners, the Office of Programme Planning, Budget and Accounts plans to introduce new clauses on the treatment of assets in the forthcoming template agreement with implementing partners, which will be in line with the IPSAS provisions.

Accounting of trust funds pertaining to outside entities

85. The United Nations prepares a number of separate IPSAS-compliant general purpose financial statements and each financial statement corresponds to a distinct reporting entity. United Nations, volume I, United Nations, volume II (peacekeeping operations), the International Criminal tribunal for Rwanda and the International Tribunal for the Former Yugoslavia, which prepare separate financial statements, are therefore distinct reporting entities.

86. The Board noticed that transactions pertaining specifically to peacekeeping trust funds and those supporting the International Criminal Tribunal for Rwanda and the International Tribunal for the Former Yugoslavia were also reported in the United Nations volume I financial statements. This fact is not disclosed anywhere in the financial statements.

87. A perusal of a sample of agreements pertaining to trust funds established for the financing of peacekeeping operations indicated that the contributions are mission-specific and are often extended for core peacekeeping activities of the mission (e.g. purchase of vehicles, engagement of personnel, provisioning of services and supplies, etc.). The Board also noted that the United Nations legislative bodies have repeatedly stressed the need for greater information on the financing of peacekeeping operations from voluntary contributions (see A/47/990 and A/49/501). It would thus be reasonable to infer that the Member States (which provide the resources) are also desirous of greater clarity in financial reports regarding the source of funding (assessed or voluntary) of peacekeeping activity, which would be possible only if the financial results of both are presented together in one set of financial statements.

88. Considering that the activities financed out of trust funds are similar to the activities financed out of assessed contributions, and keeping in view that the United Nations volume II financial statements present the mission-related activities separately, the Board emphasizes the need for merging the trust funds pertaining to peacekeeping operations into the United Nations volume II financial statements. In a similar manner, the trust funds pertaining to the international tribunals ought to be a part of their respective financial statements.

89. Responding to this matter, the Administration averred that the issue of reporting entity boundaries had been settled with the Board during the first year of IPSAS implementation. It further maintained that the United Nations peacekeeping operations had a unique governance structure and the Security Council was responsible for the establishment, extension, amendment or cessation of each peacekeeping operation. Such decisions of the Council were implemented using a unique scale of assessments against the Member States. The trust funds did not fall under the purview of the Security Council and received no funding via the scale of assessments.

90. The Board noted that although the boundary issue had been discussed and settled at the time of IPSAS implementation, it had been left open for further refinement in the future. It further noted that the special political missions are also mandated by the Security Council but are included in the volume I financial statements. The Board noted that the scale of assessments and the voluntary contributions received through the mechanism of trust funds support the same activities. The Board further noted that in-kind voluntary contributions are reported in volume II. In view of the above, the Board is unable to appreciate the logic of ring fencing the scale of assessments from voluntary contributions received through the mechanism of trust funds.

91. **The Board recommends that the Administration work towards merging the financial results of trust funds which finance operations and activities pertaining to a specific reporting entity into the financial statements of that reporting entity. In the interim, pending such transition, a suitable disclosure may be provided in the United Nations volume I financial statements.**

92. The Administration included a suitable disclosure in the volume I financial statements for 2016 vis-à-vis the second part of the recommendation. However, they did not agree with the first part of the recommendation and stated that the United Nations peacekeeping operations reported in the volume II financial statements are defined as an autonomous reporting entity with a unique governance structure, being under the purview of the Security Council whose decisions are executed and implemented using a unique scale of assessments against the Member States. It was added that the volume II financial statements are ring fenced within this structure of governance. The Administration further stated that the same applies to the tribunal operations, which are also defined as autonomous reporting entities.

93. The Administration stated that trust funds do not fall within this boundary, that is the trust funds are not under the purview of the Security Council and receive no funding via the scale of assessments, and added that they are established either by the General Assembly or by the Secretary-General and receive voluntary contributions instead of assessed contributions. The Administration reiterated their view that the trust funds related to peacekeeping and the tribunals are more appropriately placed within the boundary of volume I, which captures activities that fall under the direct purview of the General Assembly or the Secretary-General.

94. The Board noted that the response of the Administration is silent on the reasons for including the special political missions in the volume I financial statements although they are mandated by the Security Council and in effect fall within the ring fence of the volume II financial statements. The Board further holds that the trust fund resources support the same activities as those supported by the assessments and is of the view that they should be reported in the financial statements of the specific reporting entity that they are supporting.

Financial reporting by the United Nations Office at Geneva

95. Paragraph 206 of the closing instructions for the preparation of the financial statements specifies that the checklist must be signed by the Chief Finance Officer as well as by the Director/Chief of Administration/Chief of Mission Support. The Board noted that the closing instructions for volume I do not specify which office is responsible for signing off on the accounting submissions for which funds or business areas at year-end. The Director of Administration of the United Nations Office at Geneva submitted the required checklist (annex V to the closing instructions) for balances of the finance module in Umoja of two business areas (S200: United Nations Office at Geneva comprising the operations of Geneva-based entities and R200: Economic Commission for Europe and the funds therein).

96. The Board noted that the accounting responsibility and budgetary responsibility for the operations in Geneva are split between the United Nations Office at Geneva and the other Geneva-based entities, leading to a complex set of responsibilities.

97. While the certifying responsibility for accounts and the budget responsibility lay within the same entity, the Board noted that the role of the United Nations Office at Geneva is complex since the Office acts as an umbrella for many entities in Geneva. Given the absence of formal descriptions of functions and organizations, this might interfere with the principle of effective and efficient financial management in accordance with the Financial Regulations and Rules. The Board considers it important that the role and responsibilities of the United Nations Office at Geneva be clearly laid down and formally documented.

98. **The Board recommends that the Administration clarify the role of the United Nations Office at Geneva in accounting and submission of financial reporting data for entities that are part of volume I and for those entities for which the Office serves only as a service provider. The Board suggests that the Administration create clear structures and responsibilities and formally document them.**

99. The Administration stated that the implementation of this recommendation is in progress.

D. Sustainable Development Goals

100. The Sustainable Development Goals, which the Member States of the United Nations jointly committed to in September 2015, provide an ambitious and long-term agenda on a broad range of vital issues. In the declaration on the Sustainable Development Goals entitled "Transforming our world: the 2030 Agenda for Sustainable Development" Member States noted that Governments have the primary responsibility for follow-up and review, at the national, regional and global levels, in relation to the progress made in implementing the Goals and targets over the coming 15 years.

101. The Sustainable Development Goal framework contains 17 Goals and 169 targets to be achieved by 2030. The framework addresses key systematic barriers to sustainable development such as inequality, unsustainable consumption patterns, weak institutional capacity and environmental degradation, which were not covered by the Millennium Development Goals.

102. The Board noted that in accordance with General Assembly resolution 70/1, the Goals and targets were to be followed up and reviewed using a set of global indicators, which would assist in the gathering of quality, accessible, timely and reliable data needed to help with the measurement of progress towards achievement of the Sustainable Development Goals.

103. The Board noted that the onus to strive to achieve the Goals is on national Governments. However, the Board also recognizes that the various United Nations agencies could play a key role to support, facilitate and offer other forms of assistance to national Governments in achieving specific Goals. The Board further noted that several Goals would require close coordination and cooperation among various United Nations agencies to avoid duplication of efforts and ensure synergy. The Department of Economic and Social Affairs plays the coordinating role on the Sustainable Development Goals.

104. The Board noted that in July 2016 the General Assembly passed resolution 70/299 on the follow-up and review of the 2030 Agenda for Sustainable Development at the global level. The resolution encouraged coherence among the different bodies of the United Nations with the work of the high-level political forum towards the follow-up and review of the implementation of the 2030 Agenda for Sustainable Development. The Board also noted that the regional commissions had established regional forums on sustainable development.

Alignment of the strategic plan with the Sustainable Development Goals

105. The Board noted that the offices, departments and divisions visited in the course of the audit for the year ended 31 December 2016 were committed to the implementation of the Sustainable Development Goals in their respective spheres.

106. The Board further observed that the Population Division and the secretariat of the Intergovernmental Forum on Forests of the Department of Economic and Social Affairs, being custodian entities of one or more of indicators for implementation of the Sustainable Development Goals, had precise information on the Goals being supported by them. The Board also noted that the Division for Public Administration and Development Management of the Department had held an extensive exercise to align their workplan with the requirements of the Goals.

107. The Board noted that the strategic plan of the Office for the Coordination of Humanitarian Affairs, having been formulated in 2013, was not aligned with the Sustainable Development Goals at present. However, the Office informed the Board that they would consider the alignment of the strategic plan with the Goals in their next strategic plan, which is for the period 2018-2021.

108. The Board, while noting that the overall strategy of the offices, departments and divisions is outlined in the biennial programme plans and that the biennial programme budget constitutes the operational plan, is of the view that there is a need to further align the strategy with the requirements to systematically address the work related to the Sustainable Development Goals in order to achieve the coherence desired by the General Assembly.

Indicator framework

109. As stated in the preceding paragraphs, the Sustainable Development Goals and targets were to be followed up and reviewed using a set of global indicators. This work was assigned to the Statistical Commission which, at its forty-sixth session, in 2015, created the Inter-Agency and Expert Group on Sustainable Development Goal Indicators to develop the indicator framework for monitoring the Goals and targets. The Statistics Division of the Department of Economic and Social Affairs is the secretariat of the Inter-Agency and Expert Group.

110. The Inter-Agency and Expert Group submitted the proposed list of 230 unique indicators for the 17 Goals and 169 targets of the 2030 Agenda to the Statistical Commission at its forty-seventh session, in March 2016. The list included many indicators for which the methodology for data collection was still to be finalized.

Based on their level of methodological development and overall data availability, the indicators were grouped into three different tiers, namely:

(a) **Tier I**. Indicators which are conceptually clear and for which established methodology and standards are available and data is regularly produced by countries;

(b) **Tier II**. Indicators which are conceptually clear and for which established methodology and standards are available but data is not regularly produced by countries;

(c) **Tier III**. Indicators for which there is no established methodology or standards or for which a methodology and standards are being developed or tested.

111. The Board noted from the report of the Inter-Agency and Expert Group dated 15 December 2016 (E/CN.3/2017/2) that custodian agencies were identified for the indicators. In the case of tier III indicators, the custodian agencies were required to develop methodologies for measurement of the indicator assigned to them. The Board noted that the work of measurement of all the targets can commence only after methodologies for measuring all indicators have been finalized.

112. From an examination of the document entitled "Tier classification for global SDG indicators" (version dated 21 December 2016), the Board noted that there are 83 tier I indicators, 59 tier II indicators and 83 tier III indicators. In addition, there are five indicators falling under multiple tiers (i.e. different components of the indicator are classified into different tiers).

Table II.3
Summary of the status of measurability of Sustainable Development Goals and targets

Goal number	*Number of targets*	*Targets with all indicators in tier I*		*Targets with all indicators in tier II*		*Targets with mixed category of indicators in tier I and tier II*		*Targets with all indicators in tier III*		*Targets having multiple tiers of indicators that include tier III*	
		Number	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*	*Number*	*Percentage*
1	7	1	14	2	29	1	14	2	29	1	14
2	8	2	25	1	13	2	25	3	38	–	–
3	13	4	31	2	15	4	31	1	8	2	15
4	10	2	20	4	40	–	–	1	10	3	30
5	9	1	11	3	33	–	–	3	33	2	22
6	8	4	50	–	–	–	–	2	25	2	25
7	5	3	60	–	–	–	–	2	40	–	–
8	12	7	58	2	17	1	8	1	8	1	8
9	8	5	63	1	13	–	–	1	13	1	13
10	10	4	40	–	–	1	10	5	50	–	–
11	10	1	10	2	20	1	10	4	40	2	20
12	11	–	–	–	–	–	–	9	82	2	18
13	5	–	–	1	20	–	–	4	80	–	–
14	10	2	20	–	–	–	–	8	80	–	–
15	12	1	8	6	50	2	17	3	25	–	–
16	12	3	25	2	17	1	8	2	17	4	33
17	19	10	53	2	11	–	–	5	26	2	11
Total	**169**	**50**	**30**	**28**	**16**	**13**	**8**	**56**	**33**	**22**	**13**

Source: Tier classification for global Sustainable Development Goal indicators, version dated 21 December 2016.

113. The Board noted that, as at 21 December 2016, the indicators for 56 of the 169 targets were in tier III. Furthermore, every Goal has some targets with tier III indicators. The Board noted that for Goals 12, 13 and 14, 80 per cent or more of the targets cannot be measured as they have all tier III indicators. In addition, from an examination of the workplans for the development of tier III indicators as at 11 November 2016, the Board noted that custodian agencies have not yet been identified for four Sustainable Development Goal indicators, while for seven indicators the custodian agencies have not begun the work to develop the measurement methodology. For 12 other indicators, the identified custodian agencies have not submitted their workplans to the Statistics Division. Hence, the time frame for finalizing those indicators could not be determined. Furthermore, from the details provided, the Board noted that the methodological work is scheduled to be completed on 27 indicators in 2017, on four indicators in 2018, on one indicator in 2019 and on another 10 indicators in 2020. The Board further noted that of the 21 targets aimed to be achieved by 2020, seven targets have all tier III indicators. The Board further noted that two targets have indicators for which the development of a measurement methodology is planned to be completed at the end of 2020.

114. The Board is concerned that any delays in the finalization of methodologies and standards for the collection of data for tier III indicators would delay the measurement of progress of up to one third of the targets, that is, 56 of the 169 targets, which in turn would affect reliable measurement of the progress towards achieving those targets. The Board is of the opinion that greater attention is needed for monitoring the workplans for the tier III indicators. Closer monitoring is needed with respect to the indicators for targets that are to be achieved by 2020; indicators where no custodian agency has been finalized; indicators for which work has not begun; and indicators for which workplans had not been submitted up to the date of the review by the Board.

115. **The Board recommends that the Administration continue to closely review and monitor the development of the measurement methodology for indicators of the Sustainable Development Goals to ensure timely completion of the work.**

116. The Administration, while accepting this recommendation, stated that the Inter-Agency and Expert Group has recognized that the work needs to be accelerated for the measurement methodology of tier III indicators and is conducting a thorough review of tier III workplans to ensure timely completion of work and to flag any problems, in particular for those referring to targets with a 2020 deadline. It was added that the custodian agencies have intensified their efforts to develop tier III indicators, including work on new definitions that will be reviewed by intergovernmental processes.

Voluntary national review

117. As part of the follow-up and review mechanism, the 2030 Agenda encourages Member States to conduct regular and inclusive reviews of progress at the country level which are country led and country driven. It was seen that the volunteer States present their reports during the voluntary national reviews held during the ministerial segment of the high-level political forum under the auspices of the Economic and Social Council. The voluntary national reviews aim to facilitate the sharing of experiences, including successes, challenges and lessons learned, with a view to accelerating the implementation of the 2030 Agenda.

118. At the meeting for the voluntary national reviews in July 2016, 22[3] Member States made presentations. The Division for Sustainable Development of the Department of Economic and Social Affairs, which is the United Nations office primarily responsible for supporting intergovernmental processes in the area of sustainable development, supported the organization of the ministerial segment of the high-level political forum.

119. During the Board's examination of the synthesis of 2016 voluntary national reviews, it observed that some Member States had expressed their needs for capacity-building support during their presentations. The Board further observed that although those countries were supported on other issues, their requests made in their voluntary national review presentation had not been responded to as at the date of the audit. The Division for Sustainable Development stated that the countries had not submitted written requests and that written requests are accorded priority due to resource constraints.

120. In the Board's view, capacity development is one of the core functions of the Division for Sustainable Development and as the United Nations office primarily responsible for supporting the voluntary national review process in the high-level political forum, it should take follow-up action to address the capacity development needs of the volunteer countries.

121. **The Board recommends that the Administration devise a mechanism to suitably support and coordinate follow-up action on the outcomes of and needs expressed by Member States during the voluntary national review process.**

122. The Administration, while accepting the recommendation, stated that the Division for Sustainable Development, together with the Capacity Development Office of the Department of Economic and Social Affairs, are looking at means for distilling needs expressed by developing countries and integrating them into the capacity-building work of the Department.

E. Managing the workforce

123. Effective workforce management plays a critical role in an organization's ability to achieve its objectives. In addition to delivering the right skills for the right job at the right time, organizations should provide opportunities for staff members to learn and develop skills as their careers progress and organizational priorities change, and should manage and incentivize staff performance. Organizations also need to deploy staff flexibly and measure how effectively staff are used.

124. The Office of Human Resources Management is the central authority for matters pertaining to human resources. To assess the effectiveness of workforce management in the United Nations, the Board examined the processes for staff recruitment and selection; learning and development; staff mobility; and performance management.

Geographic moves

125. The Advisory Committee on Administrative and Budgetary Questions, when considering the report of the Secretary-General on mobility (A/71/323/Add.1), among other reports, stated that it intended to request the Board of Auditors to undertake a verification of all data reported on annual numbers of geographic

[3] China, Colombia, Egypt, Estonia, Finland, France, Georgia, Germany, Madagascar, Mexico, Montenegro, Morocco, Norway, Philippines, Republic of Korea, Samoa, Sierra Leone, Switzerland, Togo, Turkey, Uganda and Venezuela (Bolivarian Republic of).

moves[4] and their costs, including the methodological basis for arriving at those figures. This request was conveyed to the Board by a letter from the Chair of the Advisory Committee dated 3 January 2017.

126. The Board noted that the data on staff moves and related costs for 2013 were reported in the report of the Secretary-General contained in document A/70/254 and those for 2014 were presented in document A/71/323/Add.1. Both reports also presented summary figures of the number of moves for 2011 and 2012. The Board further noted that the reports of the Secretary-General presented only the number of duty station moves of one year or longer. The Board sought the details of the cost of geographic moves for 2015 as the Secretary-General had reported that the figures would be ready by November 2015. However, the Office of Human Resources Management informed the Board that the figures were not ready. Therefore, the Board verified the details of geographic moves, on a test check basis, for the years 2013 and 2014. For the purpose of reference figures, the Board considered the reports of the Advisory Committee contained in documents A/70/765 and A/71/557 in addition to the reports of the Secretary-General mentioned above.

127. The Board noted that geographic moves and associated costs are maintained and managed through eight separate IMIS modules in Addis Ababa, Bangkok, Beirut, Geneva, Nairobi, Santiago, Vienna and New York. The Office of Human Resources Management informed the Board that the financial recording for mission movements takes place in the SUN system, which is not a consolidated system but is a separate system for each mission.

Number of geographic moves and their cost

128. The Secretary-General had reported 1,313 geographic moves in 2013 and 1,827 geographic moves in 2014; the Office of Human Resources Management provided the same figures.

129. The costs of a geographic move include a recurring cost on account of the non-removal status and mobility allowance/incentive, which is subject to eligibility, and one-time costs, which include the assignment grant, the relocation grant, travel costs (daily subsistence allowance and tickets) and terminal expenses and other benefits, including for excess baggage.

130. The non-removal allowance is intended to compensate staff members who have elected for the United Nations not to pay for the transportation of household goods (for the cost, for example, of renting a furnished apartment or purchasing household items at the new duty station). The mobility allowance is payable as an incentive for geographical mobility. As such, internationally recruited staff (Professional and higher categories, staff in the Field Service category and internationally recruited General Service staff) who have had five consecutive years of service in the United Nations system and who are assigned to a new duty station for a period of one year or longer may qualify for a mobility allowance. These elements of the cost are recurring and are paid through the payroll.

131. The Secretary-General had reported that the total cost for geographic moves was $35.53 million in 2013 (recurrent cost of $11.33 million and one-time cost of $24.20 million) and $32.07 million (recurrent cost of $10.78 million and one-time cost of $21.29 million) in 2014.

132. The Office of Human Resources Management had initially provided one set of data to the Board. Another set of data was provided to the Board at the end of the

[4] Geographic moves entail the geographic reassignment of a staff member from one duty station to another, usually to another country, for a period of one year or longer.

field audit. According to the final data provided by the Office, disbursements have been made as shown in table II.4.

Table II.4
Disbursements related to geographic moves during 2013 and 2014
(United States dollars)

Cost element	*Nature*	*2013*	*2014*
Non-removal cost	Recurrent	4 887 907	3 790 996
Mobility allowance/incentive	Recurrent	6 442 318	6 989 905
Relocation grant	One time	3 837 472	7 701 007
Assignment grant	One time	10 338 836	9 335 350
Travel cost	One time	6 225 911	3 357 792
Terminal expenses and other benefits	One time	841 187	969 950
Total direct costs		**32 573 631**	**32 145 000**

Source: Information provided by the Office of Human Resources Management.

133. It can be seen from table II.4 that the total cost of geographic moves based on the data provided by the Office of Human Resources Management is $2.96 million less than the figure reported by the Secretary-General for the year 2013 and $0.08 million more than the figure reported by the Secretary-General for the year 2014, pointing to the risk of the figures not reflecting the exact amounts.

134. The Administration replied that the primary reason for discrepancies between Office of Human Resources Management reports and IMIS reports is that some additional personnel actions and corrections may have been processed or recorded after the reports were prepared by the Office or some of the moves may be short-term movements of less than one year.

135. The Board noted that the cost of geographic moves was not a static figure but rather a dynamic one because recurrent costs are paid for a period of up to five years after the actual geographic move; hence there is scope for the cost of geographic moves to change post facto.

Methodological basis of move and cost figures

136. For the purpose of geographic moves, a duty station move of one year or longer is recognized as a long-term move and recorded during the year in which the move is initiated. For the move to be considered a move to another duty station, it has to be confirmed that the staff member has remained at that duty station after a full year has elapsed, or a contract that expires after a full year's service has been completed at that duty station.

137. The Secretary-General had indicated in his reports (A/70/254 and A/71/323/Add.1) that given that some staff members were not paid the mobility allowance until after the end of the year of the move, and that it was not possible to identify all of the one-time costs for moves to or from field missions, not all costs were reflected in the figures reported.

138. The Board concluded that there is no guidance on what constitutes the cost of geographic moves, although the costs associated with geographic moves are indicated in paragraph 129 above. In addition, the Board noted the spread of systems in which the details of the moves were maintained and the lack of any systematic mechanism to aggregate and determine the related data. In view of the

above, the Board is of the opinion that the cost of geographic moves is open to a risk of inaccurate reporting.

139. **The Board recommends that a system of centralized data collection and reporting of geographic move figures through Umoja may be devised, including for segregating long-term and short-term assignments, so that long-term mobility patterns and short-term moves are identified.**

140. The Administration, while accepting the recommendation, stated that enhancements in the Umoja personnel administration module were launched in February 2017, with the result that long-term and short-term movements are better captured and segregated and can be identified and recorded in a more structured manner. It was added that since the cost calculation of geographical moves is a cross-functional aspect across the whole of the Department of Management, a working group with representatives from each Office making up the Department is being set up to address this matter.

Inclusive and accessible workspace for staff members with disabilities

141. The General Assembly passed resolutions 61/106, 64/154, 65/186 and 66/229 towards the creation of a non-discriminatory and inclusive working environment for staff members with disabilities at the United Nations Secretariat. The United Nations established a formal policy on access to facilities, employment opportunities and availability of reasonable accommodation for staff members with disabilities through Secretary-General's bulletin ST/SGB/2014/3, issued in June 2014.

142. The Board of Auditors, in its report contained in document A/70/5 (Vol. I) had observed that the United Nations had no mechanisms or assurance frameworks in place to monitor progress in implementing the policy. While considering the above-mentioned report of the Board in October 2015, the Advisory Committee on Administrative and Budgetary Questions was informed by the Administration that a forthcoming administrative instruction would provide further details on the procedures for the implementation of the United Nations policy on reasonable accommodation and the responsibilities and roles of the various offices.

143. Subsequently, in December 2015, the General Assembly in its resolution 70/170 sought a report from the Secretary-General on, inter alia, the status and application of existing regulations relating to reasonable accommodation and the status of facilities and services related thereto and areas that need improvement to ensure full accessibility, following universal design, and reasonable accommodation within the United Nations system, including its agencies, funds and programmes, and regional offices.

144. Accordingly, in August 2016 the Secretary-General submitted a report entitled "Towards the full realization of an inclusive and accessible United Nations for persons with disabilities" (A/71/344 and Corr.1). In his report on the implementation of the recommendations contained in the report of the Board of Auditors for the year ended December 2015, the Secretary-General stated that action on preparing the administrative instruction will commence once the Third Committee considers the subject report (A/71/344 and Corr.1) and the General Assembly issues a resolution thereon (A/71/331/Add.2, para. 124).

145. Against this background, the issue of the creation of a non-discriminatory and inclusive working environment for staff members with disabilities at the United Nations has been reviewed by the Board and its observations thereon have been included in this section.

146. The Board noted that the administrative instruction providing for measures and actions to implement the policy set out in Secretary-General's bulletin

ST/SGB/2014/3 has not been issued. The Office of Human Resources Management stated that it would launch an official consultation process on the draft administrative instruction after the terms of reference of the focal point on disability and accessibility, which had been prepared by the Interdepartmental Task Force on Accessibility but was subject to approval/amendment by the Secretary-General, had been issued.

147. In fact, the focal point which was to be established to put in place the implementation and monitoring mechanism together with the Office of Human Resources Management has not been set up. The Board noted that in the absence of the focal point, the monitoring of compliance with the policy is exercised by the Interdepartmental Task Force on Accessibility and by the respective departments and offices.

148. The Board noted that no information with regard to staff members with disabilities is available from the Office of Human Resources Management. Individuals who have disabilities get identified voluntarily, generally as a result of a request for "reasonable accommodation" from their department or organizational unit.

149. In the absence of a formal prescribed mechanism for ensuring compliance with the established policy, the implementation of the policy is not systematic. While the Board did not notice any instances of discrimination or failure to provide reasonable accommodation that had been requested, implementing policy is left to the discretion of the executive officers of the respective organizational units.

150. The Board also noticed various steps taken by different organizational units in making their premises more accessible to persons with disabilities, such as provision of braille signs, wheelchair friendly turnstiles, accessible bathrooms, specific evacuation plans for persons with disabilities and access ramps.

151. While appreciating the good work done to make the United Nations friendlier towards staff members with disabilities, the Board recalls its recommendation in its previous report, in which it urged the Administration to monitor the implementation of the Secretary-General's bulletin on employment and accessibility for staff members with disabilities. The Board noted that, so far, neither has the administrative instruction been finalized nor has the focal point been created. The Board is of the opinion that the delay in the formulation of the administrative instruction has resulted in delay in formalizing the mechanism for implementing the policy. The Board also noted that the review of the implementation of the bulletin due after two years of its operation has not been conducted, even though two years elapsed on 18 June 2016.

152. The Administration stated that the existence of the administrative instructions was not a requirement or a prerequisite for the successful implementation of the policy, which had been ongoing since June 2014. The Administration further stated that reliable, retrievable information is not currently available and that the appointment of the focal point is not within its authority but is the prerogative of the Secretary-General.

153. **The Board reiterates that the Administration should monitor the implementation of the Secretary-General's bulletin on employment and accessibility for staff members with disabilities in the United Nations Secretariat. Furthermore, the Board recommends that the Secretariat take steps to expedite the process of appointing the focal point for better monitoring of compliance with the policy.**

154. The Administration stated that implementation of the policy promulgated in Secretary-General's bulletin ST/SGB/2014/3 has not revealed any issues calling for a revision of that policy. It was added that the Secretary-General has recently

appointed a Special Envoy of the Secretary-General on Disability and Accessibility. It was also stated that pending the appointment of a focal point by the Secretary-General, the Office of Human Resources Management had recently recruited an intern to establish a foundation for monitoring and compliance mechanisms.

Continuing appointments review

155. In its resolution 65/247, the General Assembly approved granting of continuing contracts, as at 1 January 2011, to eligible staff members and set out the required conditions for granting such contracts. The policy for the implementation of the resolution was set out in Secretary-General's bulletin ST/SGB/2011/9 and the procedures for granting such appointments were set out in related administrative instructions.

156. The staff were notified of the second review for granting continuing appointments by the eligibility date of 1 July 2013 through information circular ST/IC/2015/23 of 24 November 2015. Based on the requirements, the information circular determined that the maximum number of continuing appointments that could be given for the 2013 review would be 1,660 for the Professional and higher categories and the Field Service category and 244 for the General Service and related categories. The review was concluded in October 2016.

157. A test check of the appointments in Inspira revealed that points were allocated in a first round by the Inspira system based on the criteria set out in the General Assembly resolution, followed by a second round of review done manually by management, and that points allotted by the system were upwardly revised in certain cases. However, in two cases, no supporting documents were attached in the system.

158. In this regard, the Administration accepted that one of the cases pointed out by the Board was an oversight but stated that even by excluding the additional points, the staff member was eligible. With regard to the second case, the Administration stated that the points were allotted on the basis of supporting documents subsequently uploaded by the staff member. The Administration recognized the need to further enhance the transparency of the review by reminding departments and offices to indicate pertinent notes on the record of the staff member, thereby providing clear justification for the actions or decisions taken with regard to reviewing the eligibility of each candidate. It further stated that it would advise the departments and offices that conduct manual reviews of allocated points to enter justification and supporting documents into the system in cases when they change the points allotted by the system.

159. In view of the above, the Board concluded that, since all the processes related to the granting of continuing appointments are managed through both Inspira and a manual vetting process, the absence of requisite controls in Inspira for ensuring that supporting documents are provided for the manually allotted points (as seen in the General Service and related categories appointments) carries the risk of discretionary allocation of points, which may result in the award of continuing appointments to ineligible candidates.

160. **The Board recommends that the Office of Human Resources Management make it mandatory that, in all cases of manually reviewed points, relevant documents should be provided in the Inspira system for processing the cases.**

161. The Administration, while accepting the recommendation, stated that all the cases are done in Inspira and the documentation kept therein and added that they will work with the information technology team to ensure that the system does not allow points to be granted manually by the departments without uploading the relevant documents.

Implementation of the Political, Peace and Humanitarian Network managed mobility framework in 2016

162. In accordance with paragraph 2 of the Secretary-General's report contained in document A/68/358, the main objectives of the managed mobility framework include:

(a) To better retain and deploy a dynamic, adaptable and global workforce that can effectively meet current and future mandates and evolving operational needs;

(b) To provide staff with broader opportunities for career development and contribution to the Organization and enable the further acquisition of new skills, knowledge and experience within and across departments, functions and duty stations;

(c) To ensure that staff members have equal opportunities for service across the United Nations and, for relevant functions, a fair sharing of the burden of service in difficult duty stations.

163. For the purpose of administering the managed mobility framework, the staff has been classified into eight job networks comprising related job families. For example, the Political, Peace and Humanitarian Network includes staff in the job families of political affairs, electoral affairs, civil affairs, humanitarian and human rights affairs, rule of law, security institutions, etc. The eligibility for mobility in accordance with the managed mobility framework has been set out in the resolutions of the General Assembly and the Secretary-General's bulletins and administrative instructions, which, inter alia, include participation based on factors such as job networks/job families, maximum and minimum occupancy limits and availability of lateral posts. The implementation of the mobility framework is slated to take place over a period of time and based on job networks.

164. In its resolution 68/265, the General Assembly authorized the Secretary-General to implement the refined managed mobility framework with a view to commencing mobility for one out of the nine job networks in 2016 (e.g. the Political, Peace and Humanitarian Network) and one in 2017 (e.g. the Information and Telecommunication Technology Network), followed by two job networks each year thereafter. The Assembly also decided that staff members who had reached the maximum occupancy limit when managed mobility comes into effect for their job network would not be subject to reassignment in the first year of operationalization of mobility in that job network and that the number of geographic moves for the job networks in 2016 and 2017 would be no greater than the average number of geographic moves in those networks in 2014 and 2015.

165. The Board reviewed the implementation of the first global mobility framework exercise for the Political, Peace and Humanitarian Network in 2016, which was on an opt-in basis only, on the basis of the information provided and discussion with the personnel.

166. Based on the new job network configuration approved by senior management, the Political, Peace and Humanitarian Network mobility population[1] was 2,429 as at 31 December 2015. The Board's analysis of the information relating to the first and the second biannual managed mobility exercises for opt-in POLNET in 2016 is presented in table II.5 below.

[1] Mobility population refers to the total number of staff who are subject to mobility. It consists of staff at the Director level and staff in the Professional and Field Service categories holding a fixed-term, continuing or permanent appointment, who have been recruited after a competitive process (review by central review body) or competitive examination.

Table II.5
Implementation of the Political, Peace and Humanitarian Network managed mobility framework

Description	*First biannual exercise*	*Second biannual exercise*
Number of staff opting to take part	360	241
Final number of staff participating	132	56
Recommendation by the Political, Peace and Humanitarian Network job network board for mobility/placement	38	33 (before the Special Constraints Panel)
Final number of staff movements	21	22 recommended, no movement yet.

Source: Information provided by the Office of Human Resources Management.

167. From the details, it is seen that in the first biannual exercise, out of the 360 staff who opted in, only 204 were from the Political, Peace and Humanitarian Network and the remaining 156 were from other job networks and were ineligible for participation. Similarly, in the second biannual exercise, out of the 241 staff wishing to take part, only 140 were from the Political, Peace and Humanitarian Network and the remaining 101 were from other job networks and were ineligible to take part.

168. The Office of Human Resources Management also stated that with the full deployment of Umoja Extension 1 in all entities and the ongoing development of performance monitoring using the human resources management scorecard, they will be in a position to better map the mobility population against posts, maintain a database system and map out the process with timelines.

169. **The Board recommends that the Office of Human Resources Management develop and maintain a database and establish a process for logically mapping the mobility population against posts, required skill sets and preferences.**

170. The Administration stated that the Office of Human Resources Management, in coordination with the Office of Information and Communications Technology, has developed a matching tool that provides preliminary matches between staff who opt into the managed mobility exercise and positions that are in the compendium based on a set of variables.

Management of disciplinary cases

171. The imposition of disciplinary measures on staff members is governed by the Staff Regulations of the United Nations. Staff regulation 10.1 (a) provides that the Secretary-General may impose disciplinary measures on staff members who engage in misconduct.

Disciplinary cases referred to the Office of Human Resources Management

172. The General Assembly in its resolution 68/252 urged the Secretary-General to keep the management of disciplinary cases under close review, to intensify his efforts to complete such cases in a timely manner and to take additional steps to ensure that backlogs of cases do not recur.

173. The Board observed that, in 2016, 126 cases were referred to the Office of Human Resources Management. Of these, nine cases were closed after review without any disciplinary action, 21 were closed with disciplinary sanction while 32 cases were closed with the placement of a note to the official status file of the

staff member concerned. Besides the above, one case was closed based on a reply received from the staff member and one case was closed with administrative action. The status of open cases referred to the Office during the year as at 31 December 2016 is presented in table II.6 below.

Table II.6
Status of disciplinary cases referred in 2016, as at 31 December 2016

Present status	*Number of cases*	*Range of pendency (days)*
Awaiting additional material from offices/entities investigating the cases	12	47-165
Awaiting staff comments	16	57-353
Comments received from staff members	10	148-348
Note to official status file (awaiting staff comments/ under review)	4	12-18
Cases under review by the Office of Human Resources Management	20	8-318

Source: Information provided by the Office of Human Resources Management.

174. Thus, while there are no specific norms regarding completion of cases the Board noted that nearly half of the cases received by the Office of Human Resources Management during the year remained open as at 31 December 2016. Of those, 30 cases (cases where comments had been received from staff members and cases that were under review by the Office), were pending actions by the Office.

Monitoring of investigations and finalization of administrative instruction on the disciplinary process

175. In its resolution 71/263, the General Assembly recognized the importance of high standards of investigative practices and requested the Secretary-General to continue to improve investigative procedures. The Advisory Committee on Administrative and Budgetary Questions, in its report on human resources management (A/70/718), noted that the time taken to investigate various disciplinary cases varied depending upon the entity[6] in charge of the investigation. The Advisory Committee also noted that the Office of Human Resources Management should be notified as soon as an investigation is initiated and should monitor the amount of time taken by each investigative entity to conduct its investigations.

176. The Board reviewed the time taken for the investigation of cases referred to the Office of Human Resources Management in 2016. The Board noted that OIOS had taken, on average, 10.51 months to investigate cases in 2016 as against 7.9 months in 2015. The Board further noted that the average time taken by departmental panels to investigate cases had also increased from 7.7 months in 2015 to 8.5 months in 2016.

177. Furthermore, the Board examined the monitoring of investigations by the Office of Human Resources Management in the light of the observations of the Advisory Committee on Administrative and Budgetary Questions mentioned above. In that regard, the Office stated that it does not have oversight or responsibility with regard to investigations and that the Office is not taking any measures to monitor investigation of cases by various entities. The Office also stated that, in the revised

[6] Entities carrying out investigation of disciplinary cases include OIOS, departmental panels, special investigation units and the Department of Safety and Security.

draft policy on investigations and disciplinary process that is in the process of being prepared, OIOS has agreed to collect information about Organization-wide investigations.

178. The Board noted that the General Assembly, in its resolution 68/252, adopted in December 2013, had called for a swift finalization of the new administrative instruction on investigations and the disciplinary process. The revised administrative instruction was expected to address misconduct and the disciplinary process and was aimed at codifying certain matters relating to the investigative process. In its resolution 71/263, adopted in December 2016, the Assembly again requested the Secretary-General to finalize and issue an administrative instruction on disciplinary matters, as a matter of priority, without further delay and no later than 31 December 2016. The Board also noted that the report of the Secretary-General had stated that the new policy would be issued during the second half of 2016.

179. The Board observed that, as at 31 December 2016, the administrative instruction had still not been promulgated and the revised draft policy remained under review by the Office of Legal Affairs of the Secretariat. Furthermore, the stated date of finalization of this administrative instruction had been revised on a number of occasions, from the end of 2014 or early 2015 in the report of the Secretary-General contained in document A/69/283 to the end of 2015 or early in 2016 in the report of the Secretary-General contained in document A/70/253.

180. The Administration, in reply, stated that within the constraints of available resources it had already taken all available necessary actions to expedite the progress and resolution of pending disciplinary cases. With respect to cases under review by the Office of Human Resources Management, the Administration pointed out that the first action with regard to 12 cases had already been taken and, of the other eight, in five cases additional information was awaited, one was close to recommendation and only two remained under review. As far as the finalization of the administrative instruction on disciplinary cases was concerned, the Administration stated that the timing of the promulgation remained uncertain since that depended on the recommendations of the Office of Legal Affairs and further consultations.

181. In that regard, the Board noted that as at 31 December 2016 there were still 20 disciplinary cases (received between January and June 2016) that had not been closed by the Office of Human Resources Management for various reasons, including six cases that continued to be under review. The Board further noted the lack of a coordinated or centralized approach to the management of disciplinary cases as no one single entity was responsible for monitoring the disposal of these cases. Moreover, there were delays in the finalization of the administrative instruction on disciplinary matters, which, despite General Assembly resolution 71/263, had not been promulgated as at 31 January 2017.

182. **The Board recommends that, in keeping with General Assembly resolutions, the Office of Human Resources Management, in coordination with other stakeholders, consider taking appropriate steps to finalize the administrative instruction on disciplinary issues as a matter of priority. The administrative instruction should also include timelines for the completion of disciplinary cases.**

183. The Administration stated that the policy is in draft form and is expected to be issued as soon as possible, but added that consultations with stakeholders, because of the complexity of the subject matter, has taken longer than expected.

Occupational health-related sick leave

184. Section 2.2 (g) of Secretary-General's bulletin ST/SGB/2011/4 states that the Office of Human Resources Management is responsible for promoting and maintaining staff health, developing, implementing and monitoring health-care and medico-administrative policies, and ensuring staff access to medical care system-wide, including field operations, and United Nations funds and programmes.

Loss of work days on account of occupational health issues

185. The Board noted that the total number of days being lost on account of long-term sick leave (above 20 consecutive days) had increased from 155,711 in 2012 to 230,446 in 2015 before decreasing to 166,874 in 2016. Occupational diseases were the major cause of long-term sick leave, accounting for about 77-79 per cent of long-term sick leave during the period 2012-2016. Musculoskeletal disorders, mental health disorders and trauma or injury were the three leading occupational diseases leading to loss of work days resulting from long-term sick leave during the period 2012-2016. The total number of days lost owing to these three causes is indicated in table II.7.

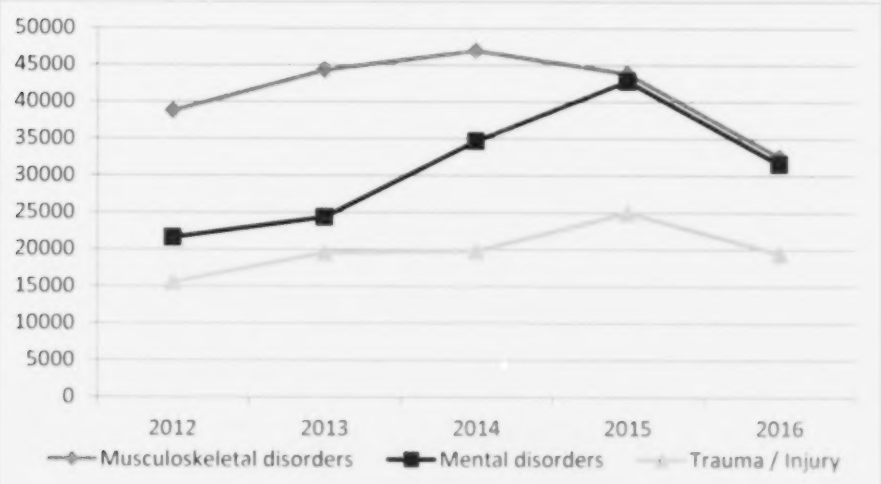
Table II.7
Number of days lost owing to long-term sick leave

Type of illness	*2012*	*2013*	*2014*	*2015*	*2016*
Musculoskeletal disorders	38 768	44 276	46 923	43 802	32 533
Mental disorders	21 586	24 349	34 662	42 800	31 583
Trauma or injury	15 562	19 546	19 812	24 981	19 452

Source: Information provided by the Office of Human Resources Management.

186. Figure II.II presents work days lost owing to each of the three leading causes.

Figure II.II
Workdays lost owing to occupational diseases



Source: Information provided by the Office of Human Resources Management.

187. The Board noted a decline in the loss of work days from long-term sick leave on account of musculoskeletal disorders from 2012 to 2016, but the work days lost owing to mental health disorders and trauma or injury showed an increase during the same period. The Board further observed that mental health disorders had registered the highest percentage increase among the three causes in terms of working days lost on account of long-term sick leave. Furthermore, the Secretary-General had stated in his report (A/71/323) that Pension Fund data showed that mental health disorders had the worst prognosis, accounting for 43 per cent of the new disability claims.

188. Mental health conditions have an adverse impact on sick leave and disability claims. Furthermore, there is an organizational risk from undiagnosed and untreated mental illness. A mental health survey, focused on estimation of presenteeism, in which almost 20,000 United Nations system staff members participated, brought out a sufficient number of symptoms in participating staff to put a red flag. These rates were higher than would be expected in this population.

189. A multidisciplinary and multi-organizational working group established to study the issue of mental health is in the early stages of drafting a mental health strategy for the United Nations system. Various measures, including webinars, meetings of United Nations clinics' physicians and tele-psychiatry[7] services were reported to have been taken to address mental health challenges. Although tele-psychiatry services were reported to have been available since 2014, there were no referrals from the pilot duty stations at all, with the health professionals citing reluctance from staff. Furthermore, attempts were also reported to have been made, in partnership with the Procurement Division, to diversify the tele-health provider panel.

190. While taking due note of the measures taken towards addressing mental health challenges, the Board noted significant organizational risk from undiagnosed and untreated mental illness.

Occupational safety and health framework

191. An occupational safety and health framework, describing common principles for an occupational safety and health management system that caters to the common interests of co-located United Nations system organizations and facilitates the adoption of an occupational safety and health framework across the United Nations system, was approved by the High-level Committee on Management in March 2015 for implementation in all United Nations organizations, including the Secretariat. The framework was endorsed by the Management Committee of the Secretariat in December 2016 and the draft policy was reported to have been presented for endorsement in the first quarter of 2017. The Board noted that in terms of the recommended timeline for phased implementation of the framework, only the appointment of an oversight body (one of the two parts of the first phase) has taken place, whereas risk mapping (second phase) and risk assessment and mitigation (third phase), which should have been completed by 31 December 2016, are yet to commence.

192. **The Board recommends that the Administration consider necessary adjustments in the strategy to address work days lost owing to mental health disorders and expedite implementation of the occupational safety and health management framework to better align with the timelines recommended by the High-level Committee on Management in March 2015.**

[7] Tele-psychiatry is the practice of psychiatry using a secure videoconferencing system.

193. The Administration stated that the development of the mental health strategy was currently at the stage of consultation on the draft strategy and is to be presented to the High-level Committee on Management in October 2017.

Medical evacuation statistics

194. Section 10.4 of administrative instruction ST/AI/2000/10 on medical evacuation requires heads of departments or offices to forward the detailed statistics on evacuation to the United Nations Medical Director on a quarterly basis and requires the Medical Director to regularly review these statistics and, as and when necessary, provide the heads of department or office with comments and advice. The Medical Director is also required to provide, on an annual basis, all relevant offices at Headquarters with statistics on medical evacuations and any comments necessary, pursuant to section 10.5 of the administrative instruction.

195. The Board observed that data on the cost of medical evacuations is not available from the Medical Services Division. The Division informed the Board that this data was generally held at the missions and requests for financial data had not yielded any response. The Board further observed that, contrary to the requirement under section 10.4 of the administrative instruction, no statistics were being provided to relevant offices by the Medical Services Division, which was the result of heads of departments and offices also not providing reports.

196. The Board noted that the lack of availability of statistics precludes the Medical Services Division from offering appropriate comments and advice on the review of statistics, as well as from providing annual statistics on medical evacuations to all relevant offices at Headquarters.

197. The Administration responded that the data will be delivered by the new medical evacuation module in EarthMed, which is anticipated to come online in the third quarter of 2017. It was added that the module would collect all data, with the exception of cost. The Medical Services Division opined that with the combination of EarthMed data and Umoja data, reports including costs of medical evacuation, as envisaged in the administrative instruction, would be possible.

198. **The Board recommends that the Office of Human Resources Management expeditiously take appropriate measures to ensure collection of the required statistics pertaining to medical evacuation cases.**

199. The Administration stated that the medical evacuation module in EarthMed had now been completed and added that implementation will proceed once standard operating procedures to ensure consistency of data entry are written and the necessary education of stakeholders is undertaken.

System-wide technical supervision, oversight and implementation of medical standards

200. The core functions of the Medical Services Division of the Office of Human Resources Management, include providing medical advice and coordinating the implementation of United Nations policies on health care. In his report contained in document A/71/323, the Secretary-General informed the General Assembly that the role of the Division in technical supervision had been highly informal and ill-defined, but the importance of the health-care function, the risks associated with underperformance and the quantum of costs required appropriate levels of governance. The Secretary-General, in the same report, further emphasized that no performance benchmarking was being done, no data was being collected on infection rates, adverse events or occupancy rates and there were no other normal health system overview data. Furthermore, the processes of care and the

management of quality have been left almost entirely to the discretion of the medical facility operators.

201. A High-level Independent Panel on Peace Operations recommended in June 2015 that a system for managing the provision of health care, including standards, should be implemented. In that regard, a medical performance framework project on health-care standards in United Nations peace operations was started, which identified five streams to be delivered, with problem statements and deliverables for each stream. The Board observed that although the streams to be delivered, problem statements for each of the streams and the elements of the streams to be delivered have been identified, there had been no progress on nine of the elements of the identified streams until January 2017.

202. The medical performance framework project also identified the need for a separate oversight body, which was critical to the success of the project, called the health-care safety, quality and risk committee. That committee was expected to have an ongoing role in health-care clinical governance. The Board noted that the terms of reference of the oversight body had been drafted and feedback had been received. However, the revision of the terms of reference is awaited.

203. The Board also noted that while the health-care safety, quality and risk committee was in the process of being set up, there was a need to expedite the process for defining and implementing the role of the Medical Services Division in technical supervision, oversight and enforcement of medical standards system-wide.

204. In its reply the Administration stated that laying down timelines would not assist in moving forward projects until such time as the project is adequately resourced. It was also stated that there has been clear progress towards key deliverables in spite of the noted barriers. With regard to the safety, quality and risk committee, the Administration stated that consultations with Member States were ongoing and a decision regarding the committee and its potential role will be made after consideration of the relevant imperatives.

205. **The Board recommends that the Administration expedite the process of defining and implementing the role of the Medical Services Division in technical supervision, oversight and enforcement of medical standards system-wide, based on the recommendations of the High-level Independent Panel on Peace Operations.**

206. The Administration stated that a project to map the sources of the mandate of the Medical Services Division for technical authority has commenced, which will be followed by a gap analysis (between the current and the desired end state) and the development of proposals to secure such authority.

Human resources management scorecard

207. The human resources management scorecard contains strategic and operational indicators of performance. It replaced the human resources action plan as the key human resources management monitoring tool and links to the compacts of senior managers which commit heads of departments and offices to specific organizational objectives. The scorecard provides performance indicators for (a) staffing timeline; (b) vacancy rate; (c) geographical representation; (d) representation of women; and (e) performance management. Performance against these strategic indicators is monitored through the human resources Insight system tool. The Board observed that against the 40 non-field and 40 field human resources management scorecard entities listed, no compact was made with nine non-field entities and 13 field entities in 2016 or in the 2016/17 period. The Board reviewed the performance of strategic indicators in three of the five areas (staffing timeline, representation of

women and performance management) for field and non-field entities based on the data and reports available in the human resources Insight system tool for 2016. The observations of the Board are presented in the following paragraphs.

Staffing timeline

208. The General Assembly, in its resolution 65/247, prescribed a benchmark of 120 days for filling a post. The Board noted, however, that in 2016 the number of days taken to fill a post varied from 53 to 580 days across entities, with an average of 202 days. The Board noted that taking an average of 202 days to fill a post compares unfavourably even against the adjusted target of 143 days.[8] The Board also noted that the performance for this indicator has shown a decline over the previous year (2015) when the average number of days taken to fill a post was 163 days.

Gender balance

209. To work towards the goal of gender balance in the United Nations, gender parity was prioritized for human resources management as part of the senior managers' compacts for 2016 and accomplishments were tracked using the human resources Insight portal. In this regard, it is observed that the compact did not prescribe a fixed percentage increase in the representation of women to reach the goal of 50/50 gender balance. The Board is of the view that the achievement of the goal of 50/50 gender balance would be served better with a target of a fixed percentage increase in the representation of women in the United Nations. From an analysis of the data available on the Insight portal for the performance cycle ending December 2016 or June 2016 (as applicable for various entities), the Board noted that the representation of women remained below 50 per cent for 48 of the field and non-field units of the United Nations, with the representation being below 50 per cent in 28 entities for General Service and related positions, in 26 entities for non-senior Professional levels (P-1-P-4) and in 28 entities for senior Professional levels (P-5-D-2) during the performance cycle.

Performance management

210. Performance management compliance measures the percentage of end-of-cycle performance appraisals completed by 30 June every year to ensure that all staff members (up to and including the D-2 level) who held appointments for at least one year have completed an end-of-cycle performance evaluation in accordance with established timelines. The Board observed that for the performance cycle 2015-2016 (ended March 2016), the end-of-cycle performance evaluation was completed for only 31,282 staff members by June 2016, which is 87 per cent of the 35,992 staff members who should have completed an end-of-cycle evaluation.

211. **The Board reiterates its previous recommendation that the Office of Human Resources Management should strengthen its performance monitoring mechanisms, including re-establishing the Performance Review Group, to improve the performance of entities that had not achieved targets on staff recruitment timelines, representation of women in senior policy positions and completion of performance appraisals.**

212. The Administration stated that the Office of Human Resources Management will re-establish the Performance Review Group as recommended.

[8] The Administration considers that the staff recruitment target should be 143 days as it covers more steps in the recruitment process than are envisaged to be covered by the 120 day target.

F. Procurement management

213. The Procurement Division is responsible for acquisitions to meet the operational requirements of Headquarters, peacekeeping missions, special political missions and offices away from Headquarters. It has two main services, namely, the Field Procurement Service and the Headquarters Procurement and Support Service.

214. In 2016, the Procurement Division dealt with 878 active contracts with a not-to-exceed value of $15.12 billion, including 219 contracts with a not-to-exceed value of $1.10 billion awarded in 2016. The Headquarters Procurement and Support Service managed 320 contracts with a not-to-exceed value of $4.11 billion. The Field Procurement Service, excluding the communications and information technology team, dealt with 470 contracts with a not-to-exceed value of $8.41 billion. The communications and information technology team concluded 88 contracts with a not-to-exceed-value of $2.60 billion to procure ICT goods and services for the field and Headquarters. A breakdown of these contracts is shown in table II.8.

Table II.8
Distribution of active contracts in 2016 among Procurement Division teams
(Millions of United States dollars)

Procurement team/office	*Not-to-exceed value*	*Expenditure up to 31 December 2016*	*Expenditure as percentage of not-to-exceed value*
Headquarters Procurement and Support Service	4 110.75	3 353.47	81.58
Headquarters supply team	97.13	65.20	67.13
Management services team	837.69	648.53	77.42
Infrastructure support team	1 054.75	559.50	53.05
Capital master plan team	2 121.19	2 080.23	98.07
Field Procurement Service	8 408.41	5 603.29	66.64
Strategic cargo movements team	50.01	35.11	70.21
Long-term air charter team	1 766.07	1 443.73	81.75
Freight forwarding team	64.92	513.89	0.79
Field supply team	4 739.58	3 221.80	67.98
Engineering support team	990.90	524.60	52.94
Vehicles team	493.72	239.47	48.50
Regional Procurement Office	303.21	138.06	45.53
Communications and information technology team	2 603.79	1 730.00	66.44
Total	**15 122.95**	**10 686.76**	**70.67**

Source: Data provided by the Procurement Division.

Delegation of procurement authority

215. The Under-Secretary-General for Management is responsible for the procurement functions of the United Nations. The authority was delegated to the Assistant Secretary-General, Office of Central Support Services, through ST/AI/2016/7, who in turn, has delegated this authority to the officials of the United Nations Secretariat and to entities outside the Secretariat, for example to the secretariat of the United Nations Framework Convention on Climate Change, the United Nations Institute for Training and Research (UNITAR) and United Nations University. The thresholds of delegations of procurement authority varied from $10,000 to an unlimited amount in one case. In addition, the Secretary-General

delegated procurement authority to the Executive Directors of UNEP and UN-Habitat; in 2015, the structure was changed (ST/SGB/2015/4) and service level agreements between these organizations and the Assistant Secretary-General for Central Support Services were concluded.

216. According to the Office of Central Support Services, all Secretariat units and all other subsidiary bodies (e.g. UNITAR) with financial management governed by the Financial Regulations and Rules of the United Nations should be subject to delegations of authority by the Assistant-Secretary-General for Central Support Services, unless other specific arrangements have been made in accordance with the Financial Regulations and Rules (as is the case, for example, for UNEP, UN-Habitat and the United Nations Office on Drugs and Crime). The Office of Central Support Services furthermore stated that with respect to treaty bodies, such as the Framework Convention on Climate Change, the United Nations might provide secretariat support to the treaty body.

217. The Board noted that the delegation of procurement authority to the three offices away from Headquarters, namely, the United Nations Office at Geneva, the United Nations Office at Vienna and the United Nations Office at Nairobi, was not uniform, with the procurement authority of the first two offices being up to $5 million while that of the United Nations Office at Nairobi being up to $1 million only. Furthermore, the United Nations Office at Nairobi has to report to the Procurement Division on all substantive procurement matters and contracts in excess of $300,000 and below $1 million. The Board noted that in 2016 the United Nations Office at Vienna had not concluded any contract with a not-to-exceed value above $1 million, while the United Nations Office at Geneva had concluded four contracts with a not-to-exceed value above $5 million and 19 contracts with a not-to-exceed value of between $1 million and $5 million. The Board also noted that the procurement authority of the Procurement Division was only $1 million.

218. The Board also observed variations in the wording and the content of the documents which provided procurement delegation. For example, the Board noted that only some of the delegations contained details concerning:

- Lower threshold with regard to financial rule 105.16[9]
- Regulations for subdelegation
- Procurement authority matrix that clarifies the conditions under which the delegation could be exercised

219. Moreover, the Board noted that an effective governance scheme was not established. The documents providing for procurement delegation limited themselves to stating that individuals should be held fully accountable and responsible. In case of subdelegation, the individual would retain full accountability for the actions of individuals receiving a subdelegation. The Board noted, however, that no further explanations were included on how to meet the accountability requirements, how appropriate actions should be taken and what consequences could arise. Most of the delegations of authority did not contain training requirements for staff receiving the authority. While staff were apparently expected to complete the online procurement training campus,[10] neither this obligation nor the supervision of the training status was clearly defined.

220. The Board holds that procurement authority was not delegated in a structured and well-organized manner. The practice in granting delegations seems to be driven

[9] Financial rule 105.16 lists exceptions to using the formal solicitation method.

[10] Phase one: The fundamentals of procurement, overview of the Procurement Manual, best value for money, and ethics and integrity in procurement.

more by tradition than by the substantive requirements. As a result, the organization and structure of procurement authority was fragmented. In addition to that, responsibilities and accountability were not clearly defined. The Board considers it important that rules define the governance structure of procurement functions and that fragmentation be prevented. While first steps have been taken to review and discontinue the practice of unlimited delegations of procurement authority, these steps need to be enhanced and extended. The Board further holds that delegated authorities should be aligned to the greatest possible extent in order to treat entities according to their needs and capacities and that the threshold should reflect the structure of the entity and the procurement section and their capacity and requirements. The Board also noted with concern that the delegation of authority in favour of the United Nations Office at Geneva and the United Nations Office at Vienna is five times the level of procurement authority delegated to the Director of the Procurement Division. The Board is of the view that the Office of Central Support Services and other officials responsible for subdelegation should have the necessary authority to effectively oversee delegations of procurement authority.

221. The Administration agreed with the observation that the delegations of authority needed to be rationalized and holds the view that they should reflect the respective capacities of entities to discharge their delegations appropriately and their overall needs. It was added that when aligning delegations based on the suggestions described above, the Administration would simplify the structure of delegations, thresholds and review processes to support effective implementation and compliance. The Administration informed the Board that they had granted the only unlimited delegation explicitly on a temporary basis and planned to revise it soon.

222. **The Board recommends that the Administration define clear criteria for delegating procurement authority, including thresholds, to United Nations entities.**

223. **The Board recommends that the Administration develop a template for delegation of procurement authority clearly outlining responsibilities and accountability, procedural details and training requirements, including for oversight. A revised and clear governance structure should be put in place enabling consultation with major stakeholders to ensure visibility of procurement actions and appropriate oversight.**

Procurement of goods and services

Deviations from draft contract and the United Nations General Conditions of Contract

224. In a case reviewed by the Board, the Procurement Division had requested proposals for the provision of services. The special instructions contained in annex C to the request for proposals stated that all vendors were required to clearly indicate in their proposal any exceptions or disclaimers they might have in respect of any terms and conditions of the draft contract or the United Nations General Conditions of Contract. It also stipulated that such reservation(s) would be taken into account in the evaluation of the proposal, including in the comparative evaluation with other proposals, and might be viewed with prejudice.

225. Three vendors had submitted proposals in response. One vendor referred to its previous contract with the United Nations which deviated from the draft contract and the General Conditions of Contract in the proposal, for instance with respect to the provision for limited liability. This vendor was found to have issued a qualified and the most responsive proposal out of the three offers. Apart from the reference to the previous contract, the records did not explicitly show the proposed changes to

the contract and to the General Conditions of Contract. In addition, no risk analysis had been performed in that regard. The Procurement Division did not take into account these reservations in the evaluation of the proposal.

226. The Board holds that this process was not compliant with the rules of the Procurement Manual and the terms of the request for proposals. Neither the limitation of liability nor the other deviations were assessed separately or weighted against other proposals during the technical and commercial evaluation.

227. The Procurement Division stated that the vendor indicated in the technical proposal its intention of using the same terms as in the previous contract for the same services. The Office of Legal Affairs had previously reviewed these contract exceptions and the Controller had approved the limitation of liability clause. It was added that, therefore, the Procurement Division did not consider this a potential risk. The Division further stated that the deviation was assessed comparatively during the evaluation. According to the Division, all the vendors had reservations to liability, insurance, performance bond, indemnity, etc., with similar financial implications on the intended contract. The Division further commented that although the risks were not scored, the risks were identified, assessed and presented in the case presentation to the Headquarters Committee on Contracts. Furthermore, the Division holds that through review by the Office of Legal Affairs and negotiating with the vendor, such risks were mitigated before the contract was signed.

228. The Board is of the view that, since standard contract provisions and General Conditions of Contract were designed to protect the interests of the United Nations, the Procurement Division should assess any modification during the technical or commercial evaluation and should document this assessment. Although the modifications may be approved by the competent authorities, the modified proposal may present a higher risk than other proposals. While the Procurement Division might negotiate some of the reservations proposed, this will take place after the selection of vendors. In view of the above, the Board holds that the initial proposal has to be evaluated as it serves to select the vendor.

229. **The Board recommends that the Procurement Division determine how to assess modifications to the standard contract provisions and United Nations General Conditions of Contract during the technical and commercial evaluation taking into account the potential risk for the Organization and how to document this assessment.**

230. The Office of Central Support Services noted the recommendation and reiterated that during the evaluation, the Procurement Division comparatively assessed the reservations raised by the three vendors, found that they had similar implications and concluded that no additional scoring or similar evaluation process was required. The Office further stated that in 2016, the request for proposal template was revised to emphasize the requirement for compliance with the model contract and the General Conditions of Contract. The renewed template states that by submitting a proposal, the proposer confirms that it has assessed, read, understood and agreed with the conditions; inconsequential changes may be proposed and considered at the sole discretion of the United Nation during the evaluation.

231. The Board considers that in case of deviations, it still needs to be determined how the changes would be assessed during the evaluation of the proposal. In the audited case, the Board noted that neither was an analysis documented nor were the risks scored.

Vendor registration

232. The Secretariat uses the United Nations Global Marketplace system for vendor registration. Vendors seeking to register are required to apply through the Marketplace. For contracts with an estimated amount of less than $40,000, vendors require basic registration. For higher awards, vendors have to register at level 1,[11] which requires, among others things, a certificate of incorporation, or level 2,[12] which also requires information on the parent company and subsidiaries or affiliates. Vendors are then transferred as business partners to Umoja. For this task, the Office of Central Support Services established an interim master data management team which manages commercial vendor master data and material and service master data. Since 2013, the staff of the team had been engaged on a temporary basis. Third party vendors under the responsibility of the Office of Programme Planning, Budget and Accounts are managed by another interim master data management team.

233. The Board was informed that the United Nations Global Marketplace system automatically checks for duplicate vendors. Furthermore, the interim master data management team manually checks for duplicate vendors when vendor records synchronize to Umoja. The Procurement Division confirmed that legal entities may only register once and that the certificate of incorporation is used to verify that. However, it was unclear how vendors were migrated from the legacy system to Umoja and how new registrations were checked to avoid duplicates. In addition, it was not explained how the Procurement Division checked cases in which vendors registered as commercial and third party vendors, as was found by the Board during the audit.

234. The Board considers it important that a vendor as a legal entity be registered only once. In particular this is crucial for cases of performance failure or legal disputes. So far, the teams to manage master data have been set up on a temporary basis. Since master data are the basis of Umoja, the United Nations will have to maintain these teams in the coming years.

235. **The Board recommends that the Administration review the temporary set-up of the interim data management teams, strengthen the process to assure that vendors are recorded only once and ensure the maintenance of master data.**

236. The Office of Central Support Services took note of the recommendation and referred to processes in place to avoid duplicates.

237. While the processes in place may detect the majority of duplicates, the Board considers it important that the remaining areas mentioned above be covered.

Procurement platform in Umoja

238. Since the roll-out of Umoja Cluster 4 in November 2015, Umoja has been used as a single platform for procurement and is used to raise shopping carts, administer solicitation instruments and award purchase orders and contracts. The Board noted that while Umoja captures the transactional aspects of the procurement process, other steps of the procurement process (e.g. the source selection plan) were processed outside the system. Accordingly, Umoja currently cannot track the entire end-to-end process, in particular the solicitation phase (receipt and submission of bid documents by suppliers and technical and commercial evaluation). Furthermore, purchase orders and contracts are approved outside the system using hardcopies. In

[11] Estimated contract award from $40,000 to less than $500,000.
[12] Estimated contract award for $500,000 and above.

Umoja. Procurement Division team leaders had an unlimited financial authority to approve cases, although their procurement delegation threshold was limited.

239. The Administration pointed out that given the complex environment and global use of Umoja, which has to support disparate operating models, it was a deliberate decision not to incorporate certain aspects of the source-to-acquire processes. The Administration would continue to identify opportunities to expand Umoja's coverage (e.g. contract data enhancements) or enrich Umoja business intelligence data with information contained in different systems (e.g. electronic Headquarters Committee on Contracts). To provide comprehensive Umoja business intelligence reports, data had to be drawn from sources other than Umoja. The Department of Management stated that it would continue to work towards a more unified procurement operational model. The process would change once electronic signatures were implemented, which was scheduled to take place in 2018/19.

240. **The Board recommends that the Administration: (a) take stock of the transactional aspects of the procurement process in Umoja and the steps outside Umoja; and (b) review the approval processes in Umoja in the different entities under its authority and determine a way forward for all entities under its delegation of procurement authority.**

241. The Administration accepted the recommendation.

Umoja business intelligence

242. The Board noted that Umoja business intelligence still needs to be enhanced. While it offers some reports that could facilitate monitoring, other reports still have to be developed. For example, the Procurement Division stated that reporting on key performance indicators was only possible to a certain extent. The Division had been working with procurement teams globally to enumerate the requirements for operational and strategic reporting. This list was used to design reporting layers that would meet requirements. The Division was working with the Umoja business intelligence team to develop new semantic layers and reporting views. The Board noted that the list showed the requirements by procurement team and was a working level document, and that the requirements were not prioritized. Overall, the visibility of internal processes and external factors and thus the measurement of performance were limited. There is a need to improve visibility and performance measurement with regard to internal processes (e.g. processing time, administrative costs per contract or purchase order, and completeness, correctness and timeliness of documentation in Umoja) and external factors (e.g. total cost of acquisition, vendor performance).

243. **The Board recommends that the Administration improve visibility and performance measurement with regard to internal processes and external factors.**

244. The Administration agreed with the recommendation, and stated that developments in Umoja were required to achieve its implementation. The Board considers it crucial that the visibility of internal processes and external factors be improved.

G. Humanitarian affairs

245. The Office for the Coordination of Humanitarian Affairs is responsible for bringing together humanitarian actors to ensure a coherent response to emergencies. The Office also ensures that there is a framework within which each actor can contribute to the overall response effort. Humanitarian contributions are regulated

b) the Financial Regulations and Rules, the Procurement Manual and policies and guidelines for operating activities issued by the Office. The Office discharges its functions through two headquarters offices, eight regional offices and 32 field offices manned by about 2,300 staff members. The Office manages two mechanisms for pooled funding, namely, the Central Emergency Response Fund and the country-based pooled funds, allowing donors to pool their contributions.

246. The Central Emergency Response Fund, established by the General Assembly in 2005, receives voluntary contributions year-round to provide immediate funding for humanitarian actions anywhere in the world. The Fund has an average annual budget of around $450 million. The funds received are set aside to be used at the onset of emergencies, in rapidly deteriorating situations and in protracted crises that fail to attract sufficient resources.

247. Country-based pooled funds are multi-donor humanitarian financing instruments. In 2016, there were 18 such pooled funds in 18 countries affected by humanitarian crises. The pooled funds are managed by the Office for the Coordination of Humanitarian Affairs, under the leadership of the Humanitarian Coordinator, who is the United Nations official in charge of leading and coordinating humanitarian assistance in a country experiencing an emergency. Country-based pooled funds support the highest-priority projects of the best-placed responders (including international and national non-governmental organizations and United Nations agencies) through an inclusive process that supports priorities set out in the humanitarian response plans.

Country-based pooled funds

248. The Board examined the operations of the country-based pooled funds in the headquarters offices of the Office for the Coordination of Humanitarian Affairs and in the country offices of Afghanistan and Myanmar and noted that significant progress had been made regarding the pooled funds in terms of adherence to the guidelines. However, the Board noted some areas for improvement, which are presented in the following paragraphs.

Adherence to the country-based pooled funds operational handbook

249. The operational handbook for country-based pooled funds provides a set of processes and tools to guide the management of the pooled funds and it serves to provide minimum standards. In accordance with paragraph 8 of the operational handbook, the primary audience for the handbook are the country offices of the Office for the Coordination of Humanitarian Affairs and, in particular, the Humanitarian Financing Units that support and administer the pooled funds.

250. The grant management system is a web-based platform that supports the management of the entire grant life cycle for all country-based pooled funds. It is a mandatory tool for the pooled funds and a fundamental management instrument for the fund managers in the Office for the Coordination of Humanitarian Affairs.

251. The Programmes and Operations Unit of the Funding Coordination Section of the Office for the Coordination of Humanitarian Affairs prepares the country-based pooled funds compliance dashboard on a quarterly basis. From the compliance dashboard for the fourth quarter of 2016, it is seen that five pooled funds did not have an operational manual or had not updated it as required; in respect of seven pooled funds, the operational manual did not include the accountability framework; three pooled funds had essential positions lying vacant; while five pooled funds were inadequately staffed. In the case of four pooled funds, the grant management system was not used for the management of partners' abilities; in three pooled funds

it was not used for allocations, while in two pooled funds it was not updated regularly.

252. The Board noted the reasons for the shortcomings as explained by the Administration. The Board emphasizes that the existence of an updated operational manual and a clearly defined accountability framework in the operational manual in each country-based pooled fund and the uniform implementation of the grant management system for all country-based pooled funds is vital. The Board is of the view that the manual and the accountability framework will strengthen the capacity of the Office for the Coordination of Humanitarian Affairs to manage and monitor different funds, besides providing a reasonable assurance to the donors and other stakeholders of the Office concerning the quality of fund management and the existence of a functional accountability framework.

253. **The Board recommends that the Administration ensure that: (a) all country-based pooled funds adhere to the standards set out in the operational handbook for country-based pooled funds; and (b) a human resources review of the Humanitarian Financing Units is completed expeditiously to identify the criteria for determining the number and profile of staff required for optimally managing the country-based pooled funds.**

Delay in funds disbursement by the Funding Coordination Section

254. Paragraphs 106 and 121 of the operational handbook for country-based pooled funds provide that funds should be disbursed within 10 working days following the signature of the grant agreement by all parties except where the Office for the Coordination of Humanitarian Affairs is not directly transferring funds to the implementing partners.

255. An analysis of the project data available on the grant management system for 17 country-based pooled funds[13] for allocation year 2016 indicated that, of the 1,055 projects in which the first tranche was disbursed in 2016, the time taken for the disbursement of funds was more than 15 days, ranging from 16 to 64 days in 127 projects (12 per cent). Furthermore, the Board noted that in 27 projects, the dates of disbursement of the first tranche were not indicated in the pooled funds dashboard in the grant management system. Likewise, in 250 projects, the dates of the signature by the Executive Office of the United Nations Development Programme (UNDP) were not captured in the dashboard. In these 277 projects (27 + 250), it was not possible to assess whether funds were released in a timely manner or not, in accordance with the provisions of the operational handbook.

256. The Office for the Coordination of Humanitarian Affairs accepted that delays occurred in fund transfer partly because of new systems introduced recently, but added that there was progressive improvement.

257. **The Board recommends that delays in the disbursement of funds be reviewed by the Administration to ascertain the reasons therefor and address them.**

Delay in processing of projects

258. The operational handbook equips the Humanitarian Coordinator with two modalities to allocate funds, namely, standard allocation and reserve allocation. In accordance with paragraph 89 of the handbook, the standard allocation process represents the Humanitarian Coordinator's mechanism for consulting with

[13] Out of 18 country-based pooled funds; Haiti was not considered as there were no disbursements during 2016.

humanitarian partners to ensure the best possible use of available resources. In accordance with paragraph 107 of the handbook, the reserve allocation is intended for rapid and flexible allocation of funds in the event of unforeseen circumstances, emergencies, or contextually relevant system requirements, such as pipelines, logistics, etc.

259. Strategic objective 5, outcome 2, of the Office for the Coordination of Humanitarian Affairs strategic results framework 2016-2017 outlines the commitment that pooled funds are to be utilized strategically, predictably and in a timely manner to support humanitarian action. Indicator 5.2.1 in the same document relates to the percentage of applications for country-based pooled fund processed within the required time frame. The country office indicator compendium for 2016-2017 defines the required time as 40 working days for standard applications and 25 working days for applications from a fund's reserve facility.

260. From the analysis of the data extracted from the grant management system for 17 country-based pooled funds, the Board observed that 820 projects allocated through standard allocations in 2016 had reached the stage of the first tranche having been disbursed. Of these 820 projects, in 513 projects (63 per cent), the time taken from the date the project proposal was submitted to the date of the disbursement of the first tranche of funds was more than 40 working days, ranging from 41 to 166 working days. Furthermore, the Board noted that in 15 projects (2 per cent), the date of the disbursement of the first tranche was not captured in the grant management system dashboard, thus precluding the ability to estimate the time taken for processing the project proposal.

261. Similarly, from reports extracted from the grant management system, the Board reviewed 235 projects under the 17 country-based pooled funds allocated through reserve allocations in 2016 which had reached the milestone of the first tranche having been disbursed. It was noted that in 124 projects (53 per cent of 235 projects) the time taken from the date the project proposal was submitted to the date of the disbursement of the first tranche of funds was more than 25 working days, ranging from 26 to 159 working days. In 12 projects (9 per cent), the Board observed that the date of the disbursement of the first tranche was not captured in the grant management system dashboard, thus precluding the ability to estimate the time taken for processing the project proposals.

262. The delay in the processing of projects affects the commitments on the part of the Office for the Coordination of Humanitarian Affairs with respect to the strategic goal for coherent and timely delivery of humanitarian assistance.

263. The Administration accepted the observation and stated that they were committed to improving the timeliness of the process. It was added that the missing data reflects the inadequate utilization of the system in the UNDP managed funds, which should be addressed through the implementation of the UNDP guidelines for engagement of non-governmental organizations in country-based pooled funds.

264. **The Board recommends that the Administration review the projects where timelines for the processing of projects have been exceeded and take steps to ensure that the projects are processed in accordance with the prescribed timelines.**

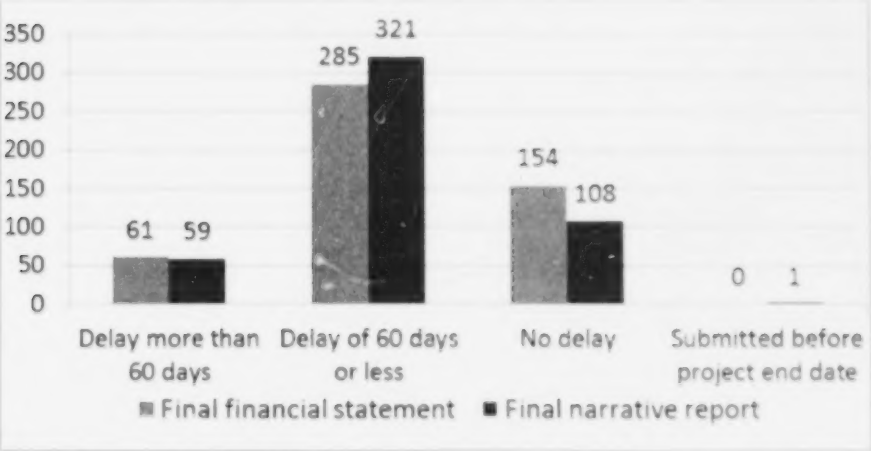
Monitoring and oversight

265. In accordance with paragraph 179 of the operational handbook, country offices are required to report information on activities carried out so as to ensure that the activities are on track to reach the proposed project objectives. To the extent possible, United Nations agencies and non-governmental organizations are treated

equally in relation to their reporting requirements. Furthermore, in accordance with paragraph 182 of the operational handbook, United Nations agencies and non-governmental organization are to submit a final narrative report within two months of the completion of the project through the grant management system. In addition, pursuant to paragraph 181 of the operational handbook, United Nations agencies are to submit an interim financial statement to reflect the expenditure incurred for project activities up to 31 December of each year by 31 January of the following year. Interim financial statements are to be submitted every calendar year until the submission of the final financial statement. Upon completion of the project, a final financial statement covering the period from the inception to the completion of the project is due no later than 30 June of the following year.

266. From an analysis of the data relating to the final financial statements and the final narrative reports for the years 2015 and 2016, the Board noted delays in submission of reports as shown in figure II.III.

Figure II.III
Delays in reporting



Source: Information provided by the Office for the Coordination of Humanitarian Affairs.

267. Out of 489 projects for which submission of a final narrative report was due, in 59 projects (12 per cent) submission of the report was delayed by more than two months, which is indicative of risk and affected the quality of evaluation of projects of country-based pooled funds.

268. The Office for the Coordination of Humanitarian Affairs acknowledged that there were some delays in report submission, while stating that the Funding Coordination Section and the Humanitarian Financing Units were constantly monitoring report submission and substantial improvements have been achieved.

269. **The Board recommends that the Administration monitor the timely submission of final financial statements and final narrative reports by the implementing partners and take delays into account when assessing the performance of the implementing partners.**

Long-term agreement for external audit

270. Paragraphs 243 and 244 of the operational handbook require the procurement of audit services to be done through the country office of the Office for the

Coordination of Humanitarian Affairs and the local service provider in accordance with the prevailing procurement rules to ensure the capacity to implement the audit plan on a timely basis. It also states that country offices will maintain the validity of the audit service long-term agreement to ensure that it does not expire before a new agreement has been obtained or the existing agreement has been extended. Paragraph 234 of the operational handbook provides that the time taken from the end of project implementation to review and clear the audited final financial statement should not exceed five months.

271. Further to the analysis of the country-based pooled funds projects in Afghanistan, the Board observed that out of 58 projects for 2015, 44 projects completed during 2015 and 2016 remained unaudited as at February 2017. Due to the non-completion of the audits, refunds amounting to $114,290 relating to four projects were pending. The Board noted from the responses of the country office that the long-term agreement for audit services in respect of pooled funds in Afghanistan had expired in December 2015. The Board further noted that as the country office could not maintain the validity of the agreement for audit services, the audit plan could not be implemented in a timely manner during 2016.

272. **The Board recommends that the Administration ensure validity of the audit service long-term agreement in order to ensure that it does not expire before a new long-term agreement has been obtained so that the audit plan may be executed in a timely manner.**

H. Managing the risk of fraud

273. The United Nations is exposed to a wide range of fraud risks, both internal and external. Fraud and corruption may be opportunistic attempts by individuals that can add up to significant losses if not tackled. If the perpetrators escape with light or insignificant punishments, it can create a culture in which wrongdoers appear to act with impunity.

274. The Board noted that in September 2016 the Under-Secretary-General for Management had issued the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25) with the objective of assisting the Secretariat in promoting a culture of integrity and honesty within the United Nations by providing information and guidance on how the United Nations Secretariat acts to prevent, detect, deter, respond to and report on fraud and corruption.

275. The Administration informed the Board that they had, through a Working Group composed of high-level officials from various departments and offices of the Secretariat, carried out a comprehensive review of the legal instruments that provide governance to the United Nations Secretariat, including important treaties, instruments, regulations, rules, administrative instructions, policies and manuals. The Administration added that after official consultations with a wide representation of United Nations stakeholders, the Working Group had concluded that the legal framework existing in the Secretariat at the time of the issuance of the Anti-Fraud and Anti-Corruption Framework was appropriate and adequate to deal with cases of fraud. The Administration further stated that as no new rules, policies or procedures were deemed necessary, the Anti-Fraud and Anti-Corruption Framework was issued as an information circular.

276. Paragraph 2 of the Anti-Fraud and Anti-Corruption Framework states that certain matters of credible allegations of criminal wrongdoing may be referred to the national authorities, when appropriate. On the question of the existence of any criteria laid down to determine what constitutes a credible allegation for referral to national authorities, the Office of Legal Affairs responded that when referring

allegations of fraud or corruption to national authorities, the Administration is guided by General Assembly resolution 62/63 on criminal accountability of United Nations officials and experts on mission, which requests the Secretary-General to bring credible allegations of criminal wrongdoing by United Nations officials or experts on mission to the attention of their States of nationality, and added that the determination of whether allegations are deemed credible is based on a review by the Administration. From the reply of the Office of Legal Affairs, the Board noted that no specific guidance has been laid down for determining the cases to be referred to national authorities. The Board is of the opinion that specific guidance would make the exercise of reference of allegations to the national authorities more consistent and reliable.

277. Paragraph 32 of the information circular states that all allegations of misconduct, including fraudulent acts, are reviewed and investigated, as appropriate, by the Secretariat. Furthermore, paragraph 33 states that OIOS will typically conduct all investigations considered to be high-risk, complex matters and serious criminal cases, including serious or complex fraudulent acts. On the question of determining whether an investigation is to be considered high risk and complex, the Administration indicated that the following criteria are considered during the intake process:

(a) Whether the information is receivable (i.e. whether it falls within the scope of the investigative mandate of OIOS);

(b) Issues of jurisdiction, including consideration of the category of the implicated personnel;

(c) The credibility of the complaint (e.g. specificity, reasonableness and verifiability of the information);

(d) The reliability of the source (e.g. anonymous versus known, information directly or indirectly perceived by the source, supporting documents or facts);

(e) The gravity of the complaint (e.g. reputational risk to the Organization, financial impact of the case);

(f) The proportionality of the means employed (e.g. expected results versus resources, likelihood of expected results, possible deterrent, available resources);

(g) Whether further clarification from the complainant, or verification of the information provided by other means, is required before a decision can be made.

278. The Administration further informed that OIOS had, in its report on strengthening the investigation function in the United Nations (A/58/708), classified misconduct into two categories, namely, category I and category II. Category I includes high-risk, complex matters and serious criminal cases such as serious or complex fraud, other serious criminal acts or activity, abuse of authority or staff, conflict of interest, gross mismanagement, waste of substantial resources, all cases involving risk of loss of life to staff or to others, including witnesses, substantial violation of United Nations regulations, rules or administrative issuances, and complex proactive investigations. Category II includes minor cases of lower risk to the Organization such as personnel matters, simple thefts, contract disputes, basic misuse of equipment or staff, basic mismanagement issues, infractions of regulations, rules or administrative issuances and simple entitlement fraud.

279. The Board noted that while the kinds of cases that will be considered complex or high risk and the cases that will be considered low risk have been illustrated, the criteria followed are general and there is no specific guidance to determine which investigations would be considered high risk and complex. The lack of specific guidance exposes the process to the risk of arbitrariness and precludes the

Administration from realizing the benefits of having put a comprehensive Anti-Fraud and Anti-Corruption Framework in place.

280. The Administration informed the Board that they are in the process of carrying out a comprehensive fraud risk assessment, which is being conducted through the enterprise risk management function in the Office of the Under-Secretary-General for Management and an outside expert, under the overall guidance of a dedicated advisory committee comprised of experts representing all the functional areas of the Organization. The Administration also set out the way forward which includes further details such as consultation with the departments, holding formal consultations with oversight bodies and presenting the final document to the Management Committee for approval. The Administration further stated that the fraud risk assessment will lead to the elaboration of a comprehensive anti-fraud strategy for the Secretariat, including an anti-fraud manual and a fraud prevention course for managers.

281. The Board noted the actions initiated by the Administration to tackle fraud and corruption. However, given the zero-tolerance approach to fraud and corruption taken by the Secretariat, there is a need to closely monitor the exercise and ensure its timely completion and implementation.

282. **The Board recommends that the Administration closely monitor the progress of the fraud risk assessment to ensure timely achievement of the intended outcomes of the exercise.**

283. **The Board further recommends that the Administration ensure issuance of clear and detailed criteria for determining high risk and complex investigations.**

I. Information and communications technology affairs

284. Effective ICT is essential to support a wide range of administrative and operational activities of the United Nations, both at Headquarters and in the field. It supports the management of critical activities, including those relating to finance, human resources management, logistics and field support.

285. The Secretary-General presented a revised ICT strategy for the United Nations to the General Assembly at its sixty-ninth session, in 2014, which was welcomed by the Assembly in its resolution 69/262. The Secretary-General has submitted two reports (A/70/364 and Corr. 1 and A/71/400) on the status of the implementation of the strategy. The Advisory Committee on Administrative and Budgetary Questions recommended that the Board of Auditors submit an annual progress report during the five-year implementation period of the strategy, which was endorsed by the Assembly in its resolution 70/238 B.

286. Accordingly, the Board presented its first report on the implementation of the ICT strategy in the United Nations Secretariat this year. The report includes the observations of the Board on the governance and leadership, modernization of activities, transformation, innovation and optimum use of ICT resources. The report also includes the observations of the Board on business continuity planning and disaster recovery planning.

287. In addition, the Advisory Committee has requested the Board to expand the coverage of its audit of ICT expenditure in peacekeeping operations to all Secretariat entities, main duty stations and field based offices (see A/70/7/Add.18).

288. The Board noted that the appropriation for the Office of Information and Communications Technology in the budget for the biennium 2016-2017 was

$98.46 million. Against that appropriation, the Office received an allotment of $42.99 million from the Office of Programme Planning, Budget and Accounts for 2016. Against that allotment, the expenditure of the Office of Information and Communications Technology was $42.47 million, as indicated in table II.9.

Table II.9
Expenditure of the Office of Information and Communications Technology for 2016

(United States dollars)

	Executive direction and management	*Global Operations Division*	*Enterprise Application Centre, New York*	*Enterprise Application Centre, Bangkok*	*Global Services Division*
Posts	2 138 873.34	8 510 448.46	3 387 561.83	3 228 274.32	4 318 387.46
Other staff costs	510 742.12	1 373 079.71	92 596.01	1 363 241.25	371 914.89
Consultants/experts	–	5 687.00	10 000.00	449 985.00	396 212.48
Travel of staff	13 765.99	31 751.85	31 849.43	150.00	47 921.18
Contractual services	588 849.52	3 068 729.38	2 478 743.29	909 855.00	1 560 628.04
General operating expenses	497 170.56	3 860 319.89	50 792.21	–	520.00
Supplies and materials	2 587.97	48 823.52	–	–	399.00
Furniture and equipment	19 693.21	1 064 030.15	97 779.07	1 358 374.45	533 537.04
Improvement of premises	–	–	–	–	49 882.50
Total	**3 771 682.71**	**17 962 869.96**	**6 149 321.84**	**7 309 880.02**	**7 279 402.59**

Source: Information provided by the Administration.

289. From the above table, it can be seen that of the total expenditure, $26.16 million, or about 61 per cent, has been expended on posts, other staff costs and consultants/experts. Upon enquiry by the Board on the visibility of the appropriations for ICT resources under the different sections of the budget, the Office indicated that they are responsible for and have visibility for ICT resources in section 29E and section 33 (expenses for the Office of Information and Communications Technology) of the budget[14] and not for the ICT resources under the other sections of the budget.

Procurement of information and communications technology assets

290. In its previous report, the Board noted the long duration of procurement contracts and recommended that the duration be regularly reviewed (A/71/5 (Vol. I), chap. II, para. 235). The Office of Central Support Services explained that most of those contracts were covered by the standardization policy. The Office stated that the standard duration of up to a maximum of five years (3+1+1) did not apply to information technology contracts in accordance with information technology standardization policy.

291. In 2016, the Procurement Division had 88 ICT systems contracts. Out of these contracts, 50 (57 per cent) had been valid for more than five years, 15 (17 per cent) were valid for more than 10 years and 38 (43 per cent) had been valid for less than five years. Most of the contracts were extended and amended several times and the ICT Board had defined standards for some of those contracts. The Procurement

[14] Section 29 E of the budget relates to the Office of Information and Communications Technology; part XI, capital expenditure, section 33, relates to construction, alteration, improvement and major maintenance.

Division was not involved in that process. For instance, the initial contract with a manufacturer of radio equipment was concluded on 20 April 2004. Amendment number 9 extended the contract until 1 July 2019 with an aggregated not-to-exceed amount of $430 million. The manufacturer's products were the only radio equipment that the ICT Board recognized as standard, and in 2016 the ICT Board extended that standard for another five years, until 2021. Similarly, a contract with a manufacturer of desktops, laptops and monitors was initially concluded in 2004 and was valid until 31 December 2017. The contract had an aggregated not-to-exceed amount of $193 million. Desktops, laptops and monitors by this manufacturer were the only desktops, laptops and monitors that the ICT Board defined as standard. The Procurement Division stated that although this contract had existed for 14 years, the contract was subject to internal reviews and was validated by external analysis and market research every five years. In general, the Division used the five-year guideline to ensure that reviews of the requirement and the current contractual arrangement were done to ensure best value for money. This review did not always result in a competitive solicitation, especially in the case of standardized products with a limited marketplace.

292. While the Board appreciates that standardization may be beneficial for the Organization, it should not overrule the basic procurement principles of best value for money and fair international competition. The Board noted with concern that defining a manufacturer's hardware products as standard has been used to justify contract extensions over many years as described above. The United Nations rules recognize the need to standardize the requirements, not the brand. Furthermore, the Procurement Manual states that procurement under this exception shall normally not exceed five years. In the ICT sector, market conditions, and especially technology, change rapidly. Competitive bidding should be the first line of approach. This could be achieved by standardizing the technical/operational specifications instead of the brand. In case this is not feasible, for example for specific software, this circumstance needs to be documented and analysed as part of a strategic business case. This should encompass commercial benchmarking and an analysis of the total cost of ownership, including switching costs, operational impact, training and development.

293. **The Board recommends that the Procurement Division, in coordination with the other stakeholders, review the process for purchasing standardized ICT commodities in order to strike a balance between the need for standardizing requirements and compliance with procurement principles. In particular, ICT hardware of low complexity and limited operability should be standardized. As a practice, the technical specifications should be standardized or the reasons for the non-feasibility of standardizing technical specifications should be analysed and documented.**

294. The Procurement Division accepted the recommendation to liaise with the parties involved to review the process. The Division stated that if an independent commercial analysis was needed for all standardized requirements, additional resources would be required. The Office of Information and Communications Technology stated that it would work with the Procurement Division to review the process within the resources available.

Low value acquisitions

295. The Board noted that on 28 October 2016, the Office of Central Support Services of the Department of Management issued an inter-office memorandum that announced, inter alia, an increase in the direct procurement threshold from $4,000 to $10,000. An inter-office memorandum from the Procurement Division dated 9 December 2016 (reference PD/PCMS/16-039-CDB) stated that the acquisition of

software and hardware, among other products, had been excluded from the low value acquisition procedure and that software and hardware should not be purchased by direct procurement even when its value would be below the old threshold of $4,000, which was valid until 8 December 2016. Furthermore, that inter-office memorandum states that the low value acquisition procedure should not be used to purchase any goods or services available through a current Procurement Division or local systems contract or subject to United Nations standardization with a specific vendor.

296. The Board noted that in the period 12-31 December 2016 at one office away from Headquarters, 11 purchases of ICT assets had been made by applying the low value acquisitions procedure. Subsequently, in the period 20 January-21 March 2017, eight instances of low value acquisition for ICT assets occurred. The procured items could be categorized as "software/hardware" according to the Material and Service Master Record of 25 January 2017 (accessed on iSeek). Therefore, the low value acquisitions procedure should not have been applied for the purchases, even though the net value of the purchase was below the old threshold in all the cases.

297. **The Board recommends that the Administration ensure that purchases of ICT goods and services available through in a systems contract or subject to United Nations standardization are done in accordance with the applicable rules.**

298. The Administration informed the Board that the Office of Information and Communications Technology is working with the Procurement Division to ensure that all contracts with potential new vendors are initiated by the Office.

Inadequate deployment and utilization of information and communications technology assets

299. The Board reviewed the deployment and utilization of 65 ICT assets procured in 2016 at the United Nations Office at Nairobi and the report on physical verification performed at the end of 2016 and noted the following:

- 24 out of 65 assets (purchase value $403,794) procured in 2016 were deployed after four to 11 months
- 17 assets procured in 2016 (purchase value $339,730) were still in store and had not been installed as at April 2017

300. The Board further noticed that 14 assets (purchase value $457,758) procured between 2012 and 2015 had never been used and were still in store as at April 2017.

301. The United Nations Office at Nairobi explained that while it will try to reduce the time taken to deploy assets, ICT equipment takes between four and nine months to be ordered and shipped and that the equipment still in store is either kept as urgent spares or has been purchased for projects. The Office explained that in some cases project implementation is delayed while waiting for onboarding of contractors or for other operational issues.

302. The Board is of the view that long delays in deployment of assets, including ICT assets, may result in them becoming obsolete or technologically outdated as a result of changes in technology.

303. The Administration stated that some of the equipment is kept as urgent spares and others are purchased for projects, and assured the Board that they will try to reduce the time taken to deploy assets.

Delays in the disposal of retired information and communications technology assets

304. Section 7.1 (a) of administrative instruction ST/AI/20,5/4 on property management requires unserviceable or obsolete property to be promptly identified, written off and disposed of. Disposal of these items is required to be for the interest of the United Nations entity concerned.

305. From an examination of the Umoja asset management module of the United Nations Office at Nairobi comprising 597 ICT assets, the Board noted that 83 assets were retired from use but have not been disposed of as indicated below:

- 60 assets (procured between 2005 and 2014, with a purchase value of $850,444) were retired from use and have been returned to store
- 23 assets (purchase value $284,328) were identified by the 2016 year-end physical verification as faulty or damaged

306. The Office replied that it is the responsibility of user departments (in this case the Information and Communication Technology Service) to initiate the disposal process by submitting a disposal case to the property management unit, which then will present the case to the respective committee for approval, following which the assets will be disposed of both in the system and physically as required. In these cases, no disposal requests were submitted.

307. The Board is of the view that delays in the process of and disposal of ICT assets that have been retired from use may result in additional storage costs, which could be avoided with timely disposal of the assets.

308. **The Board recommends that the Administration (a) dispose of in a timely manner all assets which have been retired from use; and (b) institute proper mechanisms to ensure that all user departments submit in a timely manner disposal cases for retired assets.**

309. The Administration informed the Board that the Property Management Unit and Information and Communication Technology Service of the United Nations Office at Nairobi are currently working towards disposal of 83 assets and that the Property Management Unit will submit quarterly reports to the respective departments and offices with a list of all idle assets for their review and disposal if necessary.

J. Department of Political Affairs

310. The Department of Political Affairs plays a central role in United Nations efforts to prevent and resolve deadly conflict around the world. The Department provides support to the Secretary-General and his envoys, as well as to political missions deployed around the world, to help defuse crises or promote lasting solutions to conflict. The Department also contributes directly to United Nations efforts to promote peace and prevent conflict by coordinating electoral assistance activities and providing staff support to the Security Council and other bodies. Established in 1992, the Department receives its programme direction through General Assembly resolutions and Security Council mandates. It undertakes its work on conflict prevention and resolution mainly through special political missions, which are broadly defined as United Nations civilian missions deployed for a limited duration to support Member States through good offices, conflict prevention, peacemaking and peacebuilding.

Strategic plan

311. The United Nations Finance and Budget Manual (October 2012) states that results-based budgeting was introduced to address the request of Member States that the objectives and expected accomplishments of the work of the Organization be clearly identified. Performance indicators are formulated to measure the expected accomplishments. The aim of results-based budgeting, inter alia, is to enable Member States to assess the effectiveness, impact and relevance of programmes in terms of actual results. The Board reviewed the performance of the Department of Political Affairs and selected special political missions[15] for the first year of the current strategic plan (2016) against the quantified performance measures and outputs as specified in the biennial programme plan and priorities for 2016-2017 (A/70/6 (Sect. 3)).

Department of Political Affairs subprogrammes

312. The Board reviewed the subprogrammes of the biennial programme plan for the Department of Political Affairs against the expected accomplishments and indicators of achievement and made the observations described in the following paragraphs.

313. One of the indicators of achievement in respect of subprogramme 2, Electoral assistance, administered by the Electoral Assistance Division is an increased percentage of cases where electoral needs assessment were undertaken for requesting Member States within four weeks of receiving the requests from Member States. The Board noted that 21 requests were received by the Department during 2016. Based on an analysis of these requests, the Board observed that in seven cases the electoral needs assessment was not carried out within the stipulated time of four weeks, with the period taken ranging up to 14 weeks. Furthermore, the Board noted that no timeline is prescribed for the formulation of electoral support projects.

314. The Department stated that the Electoral Assistance Division is reliant on a number of external factors for the deployment of needs assessment missions, such as availability of government officials to receive the mission, coordination for which in many cases takes a few weeks; the availability of related United Nations field missions and offices to support the assessment mission and coordinate its meetings and activities on the ground; as well as political and security developments. It was further stated that the time frame approved for this indicator (within four weeks of receiving the requests from Member States) is different from what the Division had suggested for the biennial programme plan for the period 2016-2017, which was four weeks after the approval of the focal point. It was added that this has been adjusted in the biennial programme plan and priorities for the period 2018-2019.

315. **The Board recommends that the Department of Political Affairs take the necessary steps to ensure adherence to the indicators of achievement and meet the targets set for timely conduct of electoral needs assessment.**

[15] Special Adviser to the Secretary-General on Myanmar, Special Adviser on the Prevention of Genocide, Personal Envoy of the Secretary-General for Western Sahara, Special Envoy of the Secretary-General for the implementation of Security Council resolution 1559 (2004), Office of the Special Envoy of the Secretary-General for Yemen, Office of the Special Adviser to the Secretary-General on Conflict Prevention, including in Burundi, Panel of Experts on the Democratic People's Republic of Korea, Security Council facilitator for the implementation of Security Council resolution 2231 (2015), Analytical Support and Sanctions Monitoring Team pursuant to Security Council resolutions 1526 (2004) and 2253 (2015) concerning Islamic State in Iraq and the Levant (Da'esh), Al Qaida and the Taliban and associated individuals and entities, and United Nations Assistance Mission for Iraq.

316. The Administration stated that the strategic framework for 2018-2019 has been amended to better reflect the process.

Special political missions

317. The Board reviewed the performance of 10 special political missions during 2016 against the expected accomplishments, indicators of achievement, performance measures and outputs as detailed in the respective budget documents. The Board noted that the 10 missions had 33 expected accomplishments, 74 indicators of achievement, 74 performance measures and 122 outputs. The Board observed that out of the 74 performance measures, 37 (50 per cent) were achieved, 18 (24 per cent) were not fully achieved and 5 (7 per cent) were not achieved. Further, 14 (19 per cent) performance measures could not be assessed because the actual figures for 2016 were not quantified. Of the 122 outputs, 53 (44 per cent) were achieved, 23 (19 per cent) were not fully achieved and 6 (5 per cent) were not achieved. In addition, 40 (32 per cent) outputs could not be assessed due to the actual outputs for 2016 not being quantified.

318. With respect to the Security Council facilitator for the implementation of Security Council resolution 2231 (2015), the Board noted that the facilitator was required to brief the Council every six months, but this was not included as a deliverable output.

319. The Department of Political Affairs further informed the Board that in order to improve reporting and evaluation, they had recruited a dedicated Programme Management Officer with responsibility for overseeing department-wide evaluations and the formulation and implementation of management responses to recommendations. It was added that the Department's ongoing midpoint review of its four-year strategic plan, which is due for completion by October 2017, will assess current indicators and means of capturing outputs and outcomes with a view to revising the results framework for 2018-2019 to better reflect the scope of the Department's mandate and activities. The Department is also committed to providing guidance to reporting offices to ensure performance outcomes are met, taking into account the impact of external factors. The Department stated that the output suggested by the Board has been already proposed for inclusion in the next budget document.

320. **The Board recommends that the Department of Political Affairs ensure quantifiable performance measures and prescribe outputs for all expected accomplishments.**

321. The Administration stated that to the extent possible the Department of Political Affairs, in coordination with the Department of Management, presents quantifiable performance measures and prescribes outputs for all expected accomplishments.

Budget management

322. The Board noted a consistent pattern of underexpenditure both in the Department of Political Affairs and in the special political missions working under the Department. The breadth of the underexpenditure covered most of the line items of the budget. The situation in 2016 is summarized below:

(a) Against an allocation of $183.24 million, UNAMA spent $179.52 million, resulting in underexpenditure of $3.71 million (2.03 per cent). There were deviations from the budgeted amounts in all of the 14 line items, with underexpenditure in eight items and overexpenditure in six items ranging from 41 per cent to 147 per cent, pointing to a need to streamline the budget formulation process. UNAMA

accepted the observation and agreed to streamline the budget process and the assumptions that go into the budget formulation process and to adjust and reprioritize its funding requirements during the course of actual implementation in a more timely and effective manner.

(b) Against a budget allocation of $119.54 million, UNAMI spent $115.59 million, resulting in underexpenditure of $3.95 million (3.31 per cent). There were deviations from budgeted amounts in all of the 13 budget items, with underexpenditure in nine items and overexpenditure in four items ranging from 43 per cent to 108 per cent. UNAMI attributed these variations to charging rations (budgeted under military contingents) under contractual services, a mismatch in descriptions under the budgeting process and appropriations allotment, lower usage of the emergency medical evacuation services and consumption of medical supplies, and lower maintenance costs, etc.

(c) The Board observed that against its consumable budget of $42.94 million, the Department of Political Affairs spent $39.08 million, resulting in underexpenditure of $3.86 million (9 per cent). Nine out of the 11 budget classes had underexpenditure of 8 per cent to 78 per cent, while the expenditure under grants and contributions exceeded the budget by about seven times. The Department stated that of the total underexpenditure of $3.86 million, $2.98 million or 77 per cent related to the posts category or staff costs, where the budget is based on a standard cost determined by the Programme Planning and Budget Division as an average rate across all New York-based positions of the Secretariat. The Department informed the Board that this rate cannot be revised by them and that there will always be differences depending on the actual entitlements of incumbents of these positions compared with the average rate determined at a point in time. The Department, however, assured the Board that the remaining unspent funds at the end of 2016 will be fully utilized by the end of 2017.

(d) There was underexpenditure in all eight special political missions based in New York,[a] with four of them having underexpenditure of between 17 per cent and 52 per cent, including one that was able to spend less than half of its consumable budget. The Department attributed the situation to political developments, lower requirements for travel, non-development of planned software, lower actual requirements due to vacancies, etc. The Department stated that the remaining items outlined by the Board were areas that could not be foreseen at the time of budget preparation. The Department added that budgets are prepared with information available at that time, which is subject to a number of external factors that may have an adverse impact on budget implementation and risks that may materialize.

323. While the Board appreciates the fact that the budget can only be an estimate, it is of the opinion that the estimate should be as close as possible to the actual requirements on the basis of the available information.

324. **The Board recommends that the budget formulation process be streamlined and based on more realistic assumptions, factoring in past trends.**

325. The Administration stated that they are currently working on the development of a budget formulation module in which the budget process would be more streamlined and standardized. It was added that the Department of Political Affairs will continue to make every effort to ensure that future budgets factor in past trends and realistic assumptions based on information available at the time.

[a] Excluding the Panel of Experts on the Islamic Republic of Iran, which was discontinued in February 2016.

Human resources

Training

326. The Board observed that UNAMA and UNAMI could not utilize 23 per cent and 60 per cent of the allotments of $612,125 and $1.31 million respectively for training for 2016. Furthermore, of the 143 staff members who attended external training in UNAMA in 2016, 103 (72 per cent) had not submitted the required after action reports and 113 (79 per cent) had not submitted the training certificates, as prescribed by the Office of Human Resources Management. Similarly, of the 167 UNAMI staff members who attended external training in 2016, 144 (86 per cent) had not submitted evaluation forms and 54 (32 per cent) had not submitted the training certificates.

327. The missions attributed the non-utilization of funds to a lack of demand from programme managers and section chiefs. The Board is of the opinion that the lack of demand for allotted training funds indicated that the estimates for training budgets were not realistic. The Board is also concerned that the underutilization of the budget for training could impair the capacity maintenance and capacity enhancement efforts.

328. **The Board recommends that UNAMA and UNAMI prepare their training budgets on the basis of a training needs analysis and ensure that the training is properly followed up.**

329. The Administration stated that the underexpenditure in training was affected by the security situation in Afghanistan which restricted movement between certain parts of the country. The Administration acknowledged the importance of training needs analysis and shortcomings related to completion of training after action reports and delineated the steps taken and proposed to be taken to improve.

Air operations

Suboptimal utilization of air assets

330. The Board noted out of the total UNAMA budget of $183.24 million, the budget for air operations was $18.59 million (10 per cent). The Board noted that UNAMA operated a fleet of six air assets, three fixed-wing and three rotary-wing, with 3,000 budgeted flying hours for 2016. The details are presented in table II.10.

Table II.10
Details of air assets in the United Nations Assistance Mission in Afghanistan

	Fixed-wing	Rotary-wing	Total
Budgeted hours	1 500	1 500	3 000
Contracted hours	2 560	2 880	5 440
Actual hours utilized	1 361	882	2 244
Total seat capacity	14 547	15 300	29 847
Total passengers carried	7 557	5 050	12 607
Total sorties flown	1 341	1 020	2 361
Total cargo carried (tons)	52.59	43.26	95.85
Total amount paid (millions of United States dollars)	**5.80**	**6.76**	**12.56**

Source: Information provided by UNAMA.

331. The Board observed that against the 3,000 budgeted hours, UNAMA had contracted 5,440 hours which is 81 per cent more than the hours budgeted. In addition, the Board observed that the flights were actually used for only 2,244 hours, which is 75 per cent of the budgeted hours and only 41 per cent of the contracted hours. The Board also noted that the number of passengers carried represented only 42 per cent of the seating capacity.

332. The Board noted that the actual hours utilized as a percentage of the budgeted hours for fixed-wing air assets was around 90 per cent, while that of the rotary-wing air assets was only 59 per cent. The Board observed that UNAMA was committed to pay a guaranteed cost of $7.9 million for the three rotary-wing assets for the 500 flight hours budgeted for each. As the three rotary-wing assets actually flew for only 882 hours, the requirement could have been met by only two rotary-wing air assets, which could have led to savings amounting to the guaranteed cost paid for one helicopter.

333. The Department of Political Affairs stated that the actual usage of the air assets should be put in the context of the operational requirements. However, the Department did not offer any operational reasons for the underutilization of the air assets in UNAMA.

334. **The Board recommends that UNAMA realistically assess the requirement for air assets and ensure that the air assets contracted are in line with the budgeted requirements.**

335. The Administration stated that the air operations in 2016 were affected by the security conditions, which did not permit flights to all field offices or flights with the planned frequency, as well as inclement weather. The Administration further stated that the observation that a smaller number of aircraft could have performed the number of hours actually flown would be applicable to a steady-state operation based out of one location and added that the observation does not factor in redundancy to respond to security and medical emergencies. The Administration also added that international organizations operating in Afghanistan utilize two helicopters for every movement, including those within Kabul, with one serving to respond immediately in the event of an emergency.

336. While appreciating the reasons indicated by the Administration, the Board encourages UNAMA to assess its requirement for air assets realistically factoring in the special circumstances within which it is operating.

Inventory management of weapons and ammunition in the United Nations Assistance Mission for Iraq

337. From the information provided, the Board noted that UNAMI had conducted physical verifications for weapons, and one verification for ammunition, in 2016, in line with the provisions of the Property Management Manual, which requires yearly physical verification of weapons but does not require verification of ammunition.

338. The Board, however, noted that in accordance with paragraph 14.6 of the guidelines on inventory management of the International Ammunition Technical Guidelines,[17] stocktaking is an essential process in supporting the accuracy of ammunition accounts by identifying discrepancies, loss or theft. Pursuant to the Guidelines, stocktaking should take place at least every three months, but for large

[17] The International Ammunition Technical Guidelines were developed in 2011 by the United Nations under the SaferGuard Programme to ensure that the United Nations as a whole consistently delivers high-quality advice and support in ammunition management. Many stakeholders, including international organizations, non-governmental entities and national authorities, use these Guidelines.

stockpiles of ammunition a continuous rolling stock check may need to be implemented. However, UNAMI stated that those Guidelines were not applicable to the mission, which followed the instructions on use of force equipment, including firearms, in the Department of Safety and Security manual and the Property Management Manual.

339. The Board is of the opinion that the International Ammunition Technical Guidelines should be used for inventory management of ammunition, as specific guidelines have been issued on the subject by the United Nations and use of those Guidelines would aid better management of the inventory of ammunition.

340. From a review of the physical verification report of December 2016 and the stock record register on the dates of physical verification, as provided by UNAMI, the Board observed that the quantity of ammunition found during physical verification was at variance with the quantity indicated in the stock record, as indicated in table II.11.

Table II.11
Details of variations in weapons and ammunition stocks

Type of ammunition	*Number of pieces of ammunition at physical verification (December 2016)*	*Number of pieces of ammunition in stock record (on the dates of physical verification)*	*Excess (shortfall) at physical verification compared with stock record*	*Location*
9 mm	98 104	98 167	(63)	Baghdad
5.56 mm	701 133	701 502	(369)	Baghdad
7.62 mm	485	9 885	(9 400)	Baghdad International Airport
5.56 mm simulated ammunition	9 000	63 000	(54 000)	Baghdad International Airport
9 mm simulated ammunition	6 450	54 150	(47 700)	Baghdad International Airport
Smoke grenades	125	1 219	(1 094)	Baghdad (-4) Baghdad International Airport (-1 090)

Source: Information provided by UNAMI.

341. UNAMI informed the Board that the Property Control and Inventory Unit report did not reflect the stores held by the Security Section in the training unit container at the Baghdad International Airport, resulting in the mismatch. In view of the fact that a theft of weapons and ammunition had already been reported in UNAMI in November 2016, the Board noted with concern the non-reconciliation of the differences under proper verification procedures.

342. Further, in respect of guns, the Board noted that the total stocks based on the physical verification reports and those based on the stock record/register were the same, but there was a mismatch in the locations of the guns as indicated in table II.12.

Table II.12
Variations in inventory of guns in the United Nations Assistance Mission for Iraq

Type of weapon	*Baghdad*	*Baghdad International Airport*	*Kirkuk*	*Erbil*
Pistol, 9 mm	+3	-4	+1	–
Shotgun, Benelli	+2	-2	–	–

Source: Information provided by UNAMI.

343. The reply of UNAMI indicated that the Property Control and Inventory Unit physical verification report was not updated.

344. The Board also observed that the 7.62 mm ammunition and the smoke grenades are not authorized ammunition pursuant to annex D of the Department of Safety and Security manual and the standard operating procedure, which provide a list of authorized weapons and ammunition. UNAMI replied that the smoke grenades were procured through the United Nations procurement system, but did not furnish a reason for holding the unauthorized ammunition.

345. The Board also observed that M4 weapons (total 36 in number) were not entered in Galileo. UNAMI replied that all M4 weapons would be entered into the Galileo system.

346. **The Board recommends that UNAMI strengthen its internal control mechanism over the management of weapons and ammunition.**

347. **The Board further recommends that UNAMI should consider adopting the International Ammunition Technical Guidelines on inventory management for ammunition and weapons.**

Kuwait Joint Support Office

348. The Board noted that both UNAMA and UNAMI maintained their respective support offices in Kuwait, primarily in view of the security situation in Kabul and Baghdad and to minimize the presence of staff in their respective high security risk locations. The UNAMA Support Office officially began to operate in Kuwait in November 2010, upon the signing of a memorandum of agreement with the Government of Kuwait.

349. The Board also noted that the Kuwait Joint Support Office was established in December 2012 pursuant to General Assembly resolution 65/259. In that resolution, the Assembly requested the Secretary-General to explore the possibilities for cost-sharing between UNAMA and UNAMI. The Joint Support Office currently employs 74 staff, drawn from UNAMA and UNAMI. Subsequent to its establishment, two more missions, the Office of the Special Envoy of the Secretary-General for Yemen and the United Nations Regional Centre for Preventive Diplomacy for Central Asia, have been added to the clientele of the Support Office. However, the Board noted that the support offices of UNAMA and UNAMI continue to operate even after the establishment of the Joint Support Office. The Board further noted that the Advisory Committee on Administrative and Budgetary Questions had questioned the ongoing validity of maintaining separate structures in Kuwait with distinct reporting lines and accountabilities to UNAMA and UNAMI. The Board reviewed the position of the Kuwait Joint Support Office and the two individual support offices keeping in view the comments of the Advisory Committee.

350. The Board noted that the staff strength of the UNAMA support office in Kuwait has been progressively reduced from 28 in 2015, 9 in 2016 and three in 2017. The Administration informed the Board that UNAMA does not maintain a support office in Kuwait and that the three personnel include two security staff and one regional Conduct and Discipline Officer. The Board, however, noted that the budget of UNAMA for the biennium 2016-2017 indicated provisions for the UNAMA support office. The Board noted that the UNAMI support office in Kuwait has 45 staff members.

351. Furthermore, the Kuwait Joint Support Office informed the Board that benefits to the extent of $8.1 million would accrue from cost avoidance, as international staff in Kuwait are not entitled to several allowances, such as hardship allowance, danger pay, non-family allowance and the rest and recuperation entitlements that would

have been granted to them if they were posted in Kabul or Baghdad. In addition, the Joint Support Office indicated qualitative benefits from its operations in Kuwait.

352. The Board is of the opinion that the possible financial benefits of maintaining support services in a secure location like Kuwait would not be fully realized until all the functions of UNAMA and UNAMI are taken over by the Kuwait Joint Support Office.

353. **The Board recommends that the Administration consider the assignment of all the functions related to UNAMA and UNAMI to the Kuwait Joint Support Office within a reasonable time frame.**

K. United Nations Mission for Ebola Emergency Response

354. The first-ever United Nations emergency health mission, UNMEER, was established on 19 September 2014 after the adoption of General Assembly resolution 69/1 and Security Council resolution 2177 (2014) on the Ebola outbreak. UNMEER was set up with a singular strategic objective and purpose to work with others to stop the Ebola outbreak. To achieve this, the strategic priorities of UNMEER were to stop the spread of the disease, treat the infected, ensure essential services, preserve stability and prevent the spread to countries then unaffected. UNMEER deployed financial, logistical and human resources to Guinea, Liberia, Mali and Sierra Leone. UNMEER combined the technical expertise of the World Health Organization (WHO) with the operational and coordination capabilities of other United Nations agencies, funds and programmes and relevant United Nations entities, working with host Governments and other national and international stakeholders to put in place the lines of action essential to containing and stopping the outbreak.

355. After the affected countries had been declared free of Ebola, the UNMEER offices in Mali and Liberia were closed on 31 March and 31 May 2015, respectively. Following dramatic improvements in the situation in Sierra Leone and Guinea, the residual roles of UNMEER were transitioned from the United Nations Secretariat to WHO on 1 August 2015.

356. In May 2016, the Advisory Committee on Administrative and Budgetary Questions requested the Board of Auditors to conduct a detailed examination of UNMEER expenditures, staffing, recruitment, procurement, acquisition/transfer of assets to and from the Mission, disposal of assets including the procedures applied and the recipients of the assets, the special measures put in place for UNMEER and the compliance with United Nations rules and regulations, and to report thereon to the General Assembly. Accordingly, the Board has conducted an audit of UNMEER.

Budgetary management

Budget variance

357. From the examination of the UNMEER expenditure report, the Board observed variances of more than 50 per cent in the five objects of expenditure compared with the revised appropriation. Details are given in table II.13.

Table II.13
Variations in expenditure vis-à-vis appropriations for the United Nations Mission for Ebola Emergency Response

(Thousands of United States dollars)

Object of expenditure	*Appropriation*	*Expenditure*	*Variance (percentage)*	*Explanation given by management*
Contractual services	1 202.0	2 164.2	-80.1 (Increase)	(a) Cost of translation services which were not budgeted for; (b) Vast majority of vehicles were repaired and maintained by UNMEER using outsourced services; (c) Higher than budgeted cost of initial support for the installation and commissioning of communications equipment and repeater sites throughout the country offices and districts
Supplies and materials	3 564.4	582.1	83.7 (Decrease)	(a) Greater use of co-location with other partners responding to the Ebola crisis; (b) Decrease in requirement for petrol, oil and lubricants as the vehicles were stationed in the district rather than the capitals therefore requiring less need for travel from the capital to the various districts for field work; (c) The cost of aviation fuel reflected under general operating expenses instead of under supplies and materials
Improvement of premises	159.0	56.2	64.7 (Decrease)	Due to the short lifespan of the mission, only minor renovations were carried out on the premises. Improvement to premises was done on an as-needed basis. The UNMEER headquarters in Accra was co-located in the World Food Programme compound. In the case of Sierra Leone, rent-free premises were provided by the host Government.
Hospitality	40.0	17.7	55.7 (Decrease)	Lower cost and fewer numbers of official functions held
Grants and contributions	—	2 739.2	-100 (Increase)	(a) Aero-Medical Evacuation Team and level II medical clinic service contribution, which was budgeted under general operating expenses; (b) Contributions to shared services, such as the Joint Medical Support Team for use of the UNDP clinic in the country offices and to the Department of Safety and Security for cost-shared security services

Source: Information from the Department of Field Support, Field Budget and Finance Division

358. The Board noted that by the time of the revision of the appropriation (on 25 June 2015), the Mission was in a position to realistically determine the final appropriation requirements as all the reasons given for the variance, such as cost of installation and commissioning of communication equipment, decrease in the requirements for petrol, oil and lubricants, were already known to the Mission. The wide variance in the expenditure vis-à-vis the revised appropriation in the above objects of expenditure during the tenure of the mission indicated that the budgetary assumptions made were not realistic.

359. **The Board recommends that in future missions, the Administration make budget provisions based on realistic assumptions to avoid wide variances.**

360. The Administration stated that they are currently working on the development of a budget formulation module, which is expected to help leverage the information in Umoja for budget formulation.

Human resources management

Special measures

361. UNMEER was allowed to adopt special measures by the Office of Human Resources Management to expedite the filling and onboarding of positions. The Board observed the following in that regard:

(a) Section 4.1 of the special measures stated that all candidates would be required to receive medical clearance prior to the issuance of a letter of

appointment. In 23 out of 26 cases audited, no proof of medical clearance was found on record. The Administration replied that, given the concern about the spread of the Ebola epidemic, all staff members were required to receive medical clearance prior to travel. As medical information was confidential, it was generally not available in the staff member's official status file, but could be obtained through the Medical Services Division of the Office of Human Resources Management, which was responsible for medical clearances and has access to staff medical information. In its response the Administration also explained the process of generation and maintenance of records related to medical clearance but did not produce any evidence that medical clearance was available in the said 23 cases;

(b) Pursuant to section 6.1 of the special measures, at the end of the temporary appointment the programme manager is to issue a performance evaluation on a standard performance evaluation form. No performance evaluation or assessment reports were found on record in 13 cases. The Administration accepted that the requirements regarding the need for a performance evaluation were not met.

362. **The Board recommends that the Administration should ensure that special measures, whenever offered in special circumstances, are adhered to.**

Assets management

Documentation of disposal of assets

363. The Logistics Support Division of the Department of Field Support had issued supplemental guidance on the special arrangements for property management and supported UNMEER in the development of standard operating procedures. In accordance with the guidelines, for the disposal of United Nations property by gift, donation, sale at nominal value or free transfer, the handover action and transfer of ownership is to be documented in a prescribed handover certificate.

364. On perusal of the folders provided by the Headquarters Property Survey Board relating to the disposal of 29,933 assets worth $13.68 million, the Board observed that in the cases of 29,546 assets worth $5.73 million transferred to various agencies, copies of certificates of handover of equipment and disposal of material were not available in the folders related to the disposal of assets.

365. The Administration, when informed about the non-availability of these certificates, could not furnish them and stated that the special delegation of authority to UNMEER specifically indicated that it should obtain certificates of handover, which presumably would have been kept on file by UNMEER. It was further stated that the team that was in charge of the liquidation process would be the appropriate group to provide additional information on whether or not this was done and where the certificates might now be located.

366. In their response, the Administration has only conjectured on the likely location of the records and did not provide any documents to substantiate that the required handover certificates were obtained. The Board is of the opinion that the Administration should ensure that the prescribed procedures are followed and the records in this regard should be maintained in an easily identifiable manner, especially in special purpose missions.

367. **The Board recommends that in cases of disposal of United Nations property by gift, donation, sale at nominal value or free transfer, the handover action and transfer of ownership must be documented and certificates of handover of equipment and disposal of material are to be obtained and records maintained appropriately.**

L. Strategic heritage plan

368. The strategic heritage plan involves the renovation of the United Nations Office at Geneva to meet the requirements of the Organization and the required health, safety and working conditions. In its resolution 70/248 A, the General Assembly approved the proposed scope, schedule and estimated cost of the strategic heritage plan in the maximum amount of 836.5 million Swiss francs. The project is expected to be completed in 2023. According to Umoja, the expenditure on the strategic heritage plan during 2016 was $45.43 million.

369. In its first report on the plan (A/70/569), the Board indicated areas of concern that had implications for both timely project completion and its overall costs. Subsequently, the strategic heritage plan team has taken substantial steps towards creating a target-oriented framework, as enumerated below:

(a) It holds regular meetings with stakeholders at different levels of authority and town hall meetings. Working groups have been established to respond to specific objectives and meet regularly to discuss strategies proposed, approved and implemented in the building's design;

(b) The engagement process for the flexible workplace strategy is under implementation;

(c) The strategic heritage plan team, together with the risk management firm, has developed a risk management strategy consisting of two elements: a risk analysis tool is used for analysing risks for their impact on the timing and the finances of the project; and a risk register provides specific actions related to each risk. The register is discussed in monthly sessions and actions are monitored;

(d) A comprehensive draft contract for construction services has been prepared by the strategic heritage plan team on the basis of the construction industry standard (red book of the International Federation of Consulting Engineers) involving a consultant from the Federation, a local law firm, the United Nations Office at Geneva insurance broker, the Office of Legal Affairs and the Insurance and Disbursement Service of the Department of Management. The draft contract is part of the request for proposals for the construction of the new permanent building;

(e) An agreement with the Office of Central Support Services has been reached to streamline procurement procedures for the strategic heritage plan. Accordingly, a one-step review by the Headquarters Committee on Contracts (without prior review by the Local Committee on Contracts) for contracts that exceed $5 million has been established and change orders to a strategic heritage plan contract up to an individual value of $5 million can be approved by the United Nations Office at Geneva following a recommendation only by the Local Committee on Contracts;

(f) In connection with the technical and commercial evaluation of proposals for the construction of the new permanent building, a risk mitigation evaluation committee has been established. Among other things, the committee will review both technical and commercial proposals for strategic pricing, sub-economic pricing and mismatches of pricing.

370. The Board acknowledges the activities accomplished. Nevertheless, the Board will continuously and carefully monitor the procedures.

Status of implementation of previous recommendations

371. Out of the eight recommendations made in the Board's first report on the strategic heritage plan (A/70/569), six (75 per cent) have been implemented and two

(25 per cent) were overtaken by events. Annex II provides a more detailed summary of the action taken in response to the Board's previous recommendations.

Project governance

Conflicts of interest

372. The Overseas Property Management Unit within the Office of Central Support Services has developed guidelines for the management of construction projects to be used in implementing large-scale construction projects, issued in January 2016. Based on the generic organizational chart introduced in the guidelines, the project owner is, inter alia, personally accountable for the project's success; the project executive acts as the interface between the project owner and the project; the end users, among other duties, define the needs and quality expectations of those who will use the product; and the project manager is responsible for the delivery of the project on a daily basis on behalf of the project executive.

373. Based on the current governance structure presented in the draft strategic heritage plan programme manual, the strategic heritage plan team is functionally located within the Division of Administration of the United Nations Office at Geneva. Pursuant to this governance structure, the Director-General of the Office is the project owner. The strategic heritage plan project director fulfils the role of the project manager as described above.

374. The Director of Administration has direct authority over the project team, including the project director. In addition, and as described in the draft programme manual, the Director of Administration serves as the senior user who represents the interests of those who will be affected by the project. He is responsible for specifying the needs of those who will benefit from the results of the project and for user liaison with the project management team. Pursuant to the draft programme manual, the Director-General is the project owner and the project executive, while in fact the Director of Administration acts as the project executive.

375. The Board noted that the project director had resigned in June 2016 and the Director of Administration was temporarily designated to serve as officer in charge of the project, which meant that he acted additionally as the project director. That situation continued until April 2017.

376. The Board holds that the Director of Administration is subject to a conflict of interest due to the different functions he has to fulfil and demands he has to satisfy. The current governance structure of the strategic heritage plan needs to be adjusted since it violates the principle of segregation of duties.

377. The Administration pointed out that the guidelines had been issued by the Office of Central Support Services some years after the establishment and approval of the strategic heritage plan governance structure. Notably, the General Assembly had endorsed the strategic heritage plan project and its governance structure in 2014, and subsequently had approved further enhancements to the governance structure and related arrangements in 2015. Furthermore, the Administration wished to note that the stipulations in the draft programme manual erroneously depicted that the end users report directly to the Director of Administration and thus that he could be considered as the senior user, who represents the interests of all those affected by the project. The Director of Administration was not responsible for specifying the needs of all those who would benefit from the results of the project, nor for user liaison with the project management team. Out of a total campus population (post renovation) in excess of 3,500 persons of the various departments and offices at the Palais des Nations, the Director of Administration managed only some 400 plus staff. As a result, identifying the Director of Administration as the

senior user of the project was inaccurate, and the United Nations Office at Geneva would correct this in the final draft of the programme manual.

378. The Board would like to underline that the Director of Administration represents end users. This is not contradicted by the fact that he does not represent all staff and stakeholders who will use the campus post renovation.

379. **The Board recommends that the Administration adjust the governance structure to preclude any risk of conflicts of interest. In particular, the role of the Director of Administration as senior user must be segregated from the duties of project executive and from the duties of the strategic heritage plan project director.**

380. The Administration stated that it had already recognized that the governance arrangements would benefit from further adjustments and that there was a need to further clarify the roles and responsibilities of the project owner, Director of Administration and the project director. It was added that they would carefully consider options for addressing the recommendation before making any changes to the project governance structure and, if required, would submit proposals or options to the General Assembly.

Risk management

381. The prescribed governance structure for offices undertaking capital projects provides for the functions of independent risk management and integrated risk management. The independent risk management is external to the United Nations but within the client/programme management, while the integrated risk management is within project management. The independent risk management is expected to assess risks and provides the project owner and project executive with an opinion that is independent of the project and evaluates the possible financial impact of such risks to help avoid exceeding authorized limits, while the integrated risk management assesses risks, financially evaluates those risks and provides mitigation strategies to support the project director in the decision-making process.

382. The Board noted that under the current governance structure for the requirements phase, as described in paragraph 2.1 of the draft strategic heritage plan programme manual, the two above-mentioned risk managements are combined in one function under independent integrated risk management. The function is performed by a risk management firm. The Board noted that the current risk management structure for the plan does not clearly distinguish between independent and integrated risk management as proposed in the guidelines.

383. **The Board recommends that the project owner put in place both independent and integrated risk management, as separate functions, and revise and specify the liaison of the two different risk management functions in the strategic heritage plan programme manual.**

384. The Administration stated that action had been initiated to realign the contracted risk management services with the view to ensuring that a separate senior risk management specialist assumes the independent advisory role. The currently contracted personnel would continue to perform the integrated risk management role. It was added that the programme manual would be updated accordingly.

Staffing management

385. Part II, paragraph 2.1.3, of the guidelines for the management of construction projects states that without a dedicated project team, it would not be possible to manage the project scope, schedule and budget effectively, given the complexities of such a project and the required technical expertise. The Board noted that in addition to the project manager (which corresponds to the strategic heritage plan project director),

the design and construction team and the programme management team perform key tasks, such as control and coordination. The Board further noted that out of the 19 strategic heritage plan staff members, five have permanent contracts, two positions were vacant (including the position of project director, for nine months), and the remaining staff members are on short- or fixed-term contracts, including the chief of design and construction and the chief of programme management. The Board holds that having contracts for short terms would result in staff turnover, loss of knowledge, disruption of continuity and attendant inefficiencies.

386. The Board, while concurring with the view that project-associated staff are not designated to become permanent staff, is of the opinion that staff members need to have contracts for the whole project implementation period.

387. **The Board recommends that the project owner seek a framework for staff continuity within the strategic heritage plan project.**

388. The Administration agreed in principle with maintaining staff continuity within the strategic heritage plan project and underlined that the current contractual framework did not allow for a separate staffing regime for construction projects. The Administration stated that it would bring related concerns raised in the audit to the attention of the human resources specialists at United Nations Headquarters.

Programme manual

389. Pursuant to part II, paragraph 2.7, of the guidelines for the management of construction projects, offices away from Headquarters are instructed to develop a project-specific manual. Accordingly, the responsibilities and operational protocols for the implementation of the strategic heritage plan are defined in the draft programme manual. The Board was informed in November 2016 that the programme manual would be finalized, approved and implemented by the end of the year. During the audit in February 2017, the Board noted that the programme manual was still a draft and was incomplete and inconsistent. The last revision date was 1 June 2016.

390. The Board acknowledges the awareness of a process of learning and development and that not all parts of the programme manual need to be finalized at the current stage of the project. Nevertheless, all strategic heritage plan team members and involved parties require mandatory and binding operational protocols and principles.

391. **The Board recommends that: (a) the strategic heritage plan team finalize the parts of the programme manual related to the construction phase; and (b) the project owner approve and implement the programme manual.**

392. The Administration concurred with the recommendation and stated that the draft programme manual would be updated with a primary focus on the parts related to the construction phase for final approval by the project owner.

Procurement

393. Strategic heritage plan construction works consist of three main sections: the enabling works package for the new permanent building, the construction work package for the new permanent building and the renovation of the existing building. The procurement procedures for the enabling works package (with estimated costs of $8.7 million[18]) and for the construction work package for the new permanent

[18] This and the following figure have been converted from Swiss francs to United States dollars using the exchange rate applicable to the initial appropriation for the biennium 2016-2017 ($1 = 1.014 Swiss francs).

building (with estimated costs of $120 million) were ongoing, and the construction contract tender for the renovation phase was scheduled for May 2017.

New permanent building: acceptance of the draft contract

394. The tender documents comprise a comprehensive draft contract for construction services. The draft contract has been prepared by the strategic heritage plan team on the basis of the construction industry standard (red book of the International Federation of Consulting Engineers). The draft contract contains various stipulations that shall ensure proper and timely performance without cost overruns (e.g. full risk allocation to the contractor, warranty periods, security instruments, delay damages, insurance).

395. The request for proposals documents for the new permanent building define acceptance of the draft contract as a weighted (instead of a pass/fail) criterion within the commercial evaluation of the proposals. Therefore, a bid which does not accept most of the contract terms can score better than a bid that complies with the tender documents in all respects but offers a higher price.

396. Full non-acceptance of the draft contract would, among other things, mean that the scheduled risk allocation and defects notification period, as well as the warranty period, would not apply and the contractor would not have to provide any security instruments and insurance. As a result, proper and timely performance by the vendor would not be ensured. Remedying the discrepancy by negotiations, if at all possible, could cause significant delays. The Board doubts that a lower offer price can compensate for such disadvantages in connection with the non-acceptance of the draft contract. The Board also doubts that the risk mitigation evaluation will remedy this deficiency since its criteria do not explicitly refer to risks related to non-acceptance of contract clauses.

397. **The Board recommends that, with regard to future strategic heritage plan solicitations, the United Nations Office at Geneva review as to whether impacts of acceptance and non-acceptance of substantial contract clauses are appropriately reflected in the evaluation methodology and criteria. For this reason, the Office may consider:**

(a) **Explicitly widening the scope of the risk mitigation evaluation with regard to potential impacts of non-acceptance of the draft contract; or**

(b) **Identifying such crucial contract clauses that are of particular importance for the United Nations and incorporating them into the list of pass/fail criteria; or**

(c) **Defining acceptance of the entire draft contract as a pass/fail criterion (possibly combined with a mitigation of contract clauses whose acceptance by bidders seems to be rather unlikely).**

398. The Administration stated that it considered this recommendation already implemented, as the risk mitigation evaluation addressed the potential impacts of non-acceptance of the draft contract. This had been clearly communicated to bidders for the new permanent building tender and this tender process included a risk evaluation review that looked at proposed changes to the contract (if any) together with the technical and commercial proposals assessment prior to recommendation of a contract award. The Office would continue to proceed accordingly. The Administration further stated that incorporating crucial contract clauses in the list of pass/fail criteria was not applicable since it was determined that this could unfairly disqualify a large number of suitable companies without allowing them to express the basis of their concerns. The Office of Legal Affairs and the Procurement

Division had been consulted on this matter prior to establishing this evaluation methodology and in the making of the above-mentioned determination.

399. The Board reiterates its recommendation and will review its implementation during the next audit.

Warranty

400. Pursuant to the special instructions in the request for proposals for the new permanent building issued by the United Nations Office at Geneva on 6 February 2017, the warranty conditions shall be as defined in the statement of works and the draft contract. The Board noted that general warranty conditions are not defined in either of the above two documents.

401. The Board further noted that while some specifications refer to Swiss construction standards of the Swiss Society of Engineers and Architects SIA 118 or SIA 118/380, which contain general contract terms for construction works dealing with, inter alia, warranty conditions, payment conditions, claims and liability, others do not even make the reference. It needs to be noted here that the standards of the Society to be applied to the contract are to be agreed upon by the parties. Another point of concern is that the standards of the Society are not available in English and they differ from the contract terms of the International Federation of Consulting Engineers, on the basis of which the draft construction contract had been prepared. The Board holds that clear and unambiguous contract terms on warranty are crucial for contractors to calculate their bids on a sound basis and for organizations to decide whether they can claim defects after final completion. The ambiguities in the contract terms on warranty matters raise serious concerns that enforcing defect claims, if any, after final completion will be impaired apart from the high risk of misunderstandings between the United Nations Office at Geneva and future contractors on how the contract has to be construed.

402. **The Board recommends that, involving local lawyers and considering all potential negative impacts, the Office review as to whether amendments/clarifications on the warranty regime as set forth in the contract (including the conditions and the specifications) are deemed necessary and feasible. If so, the Office may wish to consider developing a clear and comprehensive warranty regime in a designated paragraph of the contract conditions or in a separate document.**

403. **The Board furthermore recommends that the Office review as to whether amendments or clarifications are deemed necessary on whether and to what extent further stipulations of SIA 118 and SIA 118/380 (on payment, claims etc.) are to apply.**

404. **Concerning future contract drafting, the Board recommends that the Office ensure that general contract terms and specifications are aligned more closely.**

405. The Administration stated that it considered this recommendation as implemented, as it had involved its local legal firm and the Office of Legal Affairs in a full review as to whether amendments/clarifications on the warranty regime as set forth in the contract (including the conditions and specifications) were deemed necessary and feasible. The outcome had been the development of a clear and comprehensive warranty regime in designated paragraphs of the contract conditions and this had been further communicated to bidders for the new permanent building tender in the appropriate clarification sessions. The Administration informed the Board that it would incorporate the same considerations in the forthcoming renovation contract and continue to proceed accordingly.

Project progress

406. The General Assembly requested the Secretary-General in its resolution 70/248 (sect. X, para. 16) to ensure that the strategic heritage plan is completed within the approved budget and the envisaged time schedule.

407. The Secretary-General indicated the forthcoming project milestones and the changes in the project schedule in his third progress report against the project schedule presented in the second progress report. The Board noted that the overall duration of the construction of the new permanent building has been increased by 10 months owing to the further development of the technical design and the more extensive site preparation requirements. In addition, the risk management firm emphasized in December 2016 that the pre-risk mitigation confidence level (i.e. the level if no further mitigation action is taken) for completing the new permanent building on time as estimated by the strategic heritage plan team was less than 1 per cent indicating that significant mitigation steps are required to alleviate any potential delays to the process.

408. The Board noted delays in the signature of the contract for the enabling works package and in the envisaged signature of the contract for the construction work package for the new permanent building. The Board also noted delays in the start of the enabling and construction works as set out in table II.14.

Table II.14
Delays in the execution of the strategic heritage plan

Event	Original expected date (in accordance with procurement plan of November 2016)	Latest expected date (procurement plan of February 2017)	Delay (days)
Enabling works package — contract signature	16 December 2016	14 March 2017	88
Enabling works package — start of works	15 January 2017	13 April 2017	88
Construction work package for new permanent building — contract signature	2 May 2017	6 September 2017	127
Construction work package for new permanent building — start of works	1 June 2017	5 October 2017	126

Source: Strategic heritage plan procurement plans.

409. Owing to the delays in the start of the enabling and the construction works, the strategic heritage plan team reduced the construction period for the new permanent building in the procurement schedule of February 2017 from 30 months to 27 months.

410. While noting the reasons for the delays, such as serial activities needing to be undertaken, cancellation of original solicitation, etc., the Board is of the opinion that the delays underline the need for coordination and expeditious action at every stage. Furthermore, the Board is of the opinion that legal issues or unexpected circumstances or natural hazards are not taken into account in the reduced schedule. Therefore, it is a significant challenge to start with a reduced construction period.

411. **The Board considers the schedule for the enabling works package and the construction works for the new permanent building as very ambitious and recommends that the Administration take effective actions during the procurement process for the new permanent building, because any further delay will jeopardize meeting the envisaged start date of the construction. Nonetheless, accuracy and rigorous leadership of actions must be ensured because weaknesses in that regard may cause further delays.**

412. The Administration noted this recommendation and acknowledged that the strategic heritage plan had an ambitious schedule for the procurement and completion of the construction works. The Administration stated that they, along with the strategic heritage plan team, would make sure that effective actions would be applied during the procurement process for the new permanent building so as to mitigate any possible delays as far as possible. As regards the findings of the risk management firm, the Administration stated that the fact that the project is still in its very early phases of implementation should also be considered.

413. The Board believes that management has the right tools and techniques in place now to mitigate the risks identified. However, the revised schedule for the new permanent building is now very tight and consequently further delays will be difficult to absorb. Therefore, the Board reiterates the recommendation that significant mitigation steps are required.

M. Management disclosures

Write-off of losses of cash, receivables and property

414. The Administration informed the Board that it had formally written off property, plant and equipment with the original cost of $12.33 million and cash and receivables of $1.53 million. The write-off of property, plant and equipment was predominantly related to write-off of assets of UNAMI and UNAMA ($2.52 million and $1.01 million respectively).

Ex gratia payments

415. The Administration reported an ex gratia payment of $10,000 in 2016.

Cases of fraud and presumptive fraud

416. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Its audit should not, however, be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

417. During the audit, the Board makes enquiries of management regarding its oversight responsibility for assessing the risks of material fraud and the processes in place for identifying and responding to those risks, including any specific risks that management has identified or that have been brought to its attention. The Board also enquires whether management has any knowledge of any actual, suspected or alleged fraud. The Board has identified no instances of fraud in its audit, and no cases have come to its attention through its testing.

418. For 2016, the management reported 22 cases of fraud or presumptive fraud with an estimated amount of $622,060 in six cases. For the rest of the cases the estimated amount was categorized as "undetermined or not applicable" in the report provided to the Board.

419. The Board can provide no assurance that the amounts reported by management and disclosed above are complete or accurate.

N. Acknowledgement

420. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Under-Secretary-General for Management and the management and staff of the United Nations at all the locations visited and audited.

(*Signed*) Shashi Kant **Sharma**
Comptroller and Auditor General of India
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the United Republic of Tanzania

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

30 June 2017

Annex I

Status of implementation of recommendations up to the year ended 31 December 2015 (volume I)

Serial No.	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Status after verification*			
					Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
1	A/71/5 (Vol. I), chap. II, para. 20	The Board recommended that the Secretariat carry out a review of lessons learned from the 2015 financial statements preparation exercise, prepare more detailed accounts closure and preparation instructions, ensure that finance staff at Headquarters exercise greater control and oversight of the preparation of the financial statements, and derive the 2016 financial statements from the prime books of record to the fullest extent possible, in order to ensure timely preparation of high quality financial statements for the year ended 31 December 2016.	To complement the strengthened measures put in place as described in October 2016, the 2016 financial statements for volume I were prepared using the business planning and consolidation module in SAP. The shorter financial preparation timeline resulted in more time allocated for management review at all levels prior to the audit.	While acknowledging that implementation of the business planning and consolidation module is a way forward, it is seen that there have remained manual adjustments in preparation of the 2016 financial statements, which need to be eliminated/minimized. Besides, the continued presence of legacy systems (Galileo, Progen and other systems including Excel) poses an internal control concern which can be addressed effectively once the complete integration of the Umoja system is implemented. However, this issue is the subject of a new recommendation in this year's report. Hence, the Board considers the recommendation as implemented.	X			
2	A/71/5 (Vol. I), chap. II, para. 45	The Board recommended that the Administration develop comprehensive reports that allow departments to monitor expenditure against budgets on a monthly basis.	The Administration has informed the Board that web intelligence reports through the business intelligence platform have been made available in Umoja on a real-time basis to assist the departments and offices to monitor their expenditures regularly and plan better. As part of a continual improvement process, the Office of Information and Communications Technology and Umoja are collaborating with process owners to develop and enhance additional reports identified as required.	The Administration has used the functionalities available in Umoja to generate reports that allow departments and offices to better track expenditures against allotments. The Board considers this recommendation as having been implemented.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
					Fully implemented	Under implementation	Not implemented	Overtaken by events
3	A/71/5 (Vol. I), chap. II, para. 46	The Board recommended that the Administration ensure that central, periodic monitoring of expenditure against budgets is strengthened and that the Office of Programme Planning, Budget and Accounts seek explanations from departments when spending is not in line with expectations.	The Office of Programme Planning, Budget and Accounts sends monthly reports on budget performance and has created a business intelligence platform web intelligence report that offers real-time business intelligence information on the status of budget implementation, open obligations and parked documents that require review by clients.	The Umoja business intelligence reports which have been generated track expenditures against allotments and are also capable of tracking open obligations. The Board expects that this functionality would further improve with the implementation of Umoja Extension 2. In view of the action taken by the Administration, the Board considers this recommendation as having been implemented.	X			
4	A/71/5 (Vol. I), chap. II, para. 47	The Board recommended that known reductions in expenditure be fully considered alongside known increases in expenditure during preparation of the first and second performance reports.	The Office of Programme Planning, Budget and Accounts sends monthly reports on budget performance and has created a business intelligence platform web intelligence report that offers real-time business intelligence information on the status of budget implementation, open obligations and parked documents that require review by clients.	Actual expenditures are still not considered while preparing the first performance report as only variations in budget parameters are taken into account. The Board, therefore, considers this recommendation as not implemented.			X	
5	A/71/5 (Vol. I), chap. II, para. 49	The Board recommended that the regular budget income estimates and out-turn be fully disclosed in statement V of the financial statements to ensure compliance with IPSAS requirements and to enhance the information available to Member States.	The Administration has included the regular budget income estimates and out-turn as part of statement V of the volume I financial statements.	The Board noted the action taken by the Administration and considers this recommendation as implemented.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
					Fully implemented	Under implementation	Not implemented	Overtaken by events
6	A/71/5 (Vol. I), chap. II, para. 56	The Board recommended that the Administration improve the scrutiny of commitments at year-end by providing more detailed guidance on how staff should establish the need to retain them.	The Administration is in the process of improving the section on commitments in the instructions on the preparation of the financial statements with the aim of providing more guidance on the scrutiny of open commitments at year-end and the criteria that staff should apply to establish the need to retain commitments. More detailed guidance will be provided to entities on reviewing open commitments and the need to retain commitments in the context of the 2016/17 second performance report and the 2017 year-end closure.	The Board noted the reply of the Administration and considers the recommendation under implementation.		X		
7	A/71/5 (Vol. I), chap. II, para. 57	The Board recommended that the administration review open commitments during the year, and particularly at year-end, to challenge any which appear to be retained unnecessarily.	The Administration has continued to regularly review open commitments especially at year-end and is liaising with departments and offices on issues. More detailed guidance will be provided to entities on reviewing open commitments and the need to retain commitments in the context of the 2016/17 second performance report and 2017 year-end closure.	While the Board acknowledges the efforts made by the Administration in this regard, the presence of significant open commitments at the end of the first year of the current biennium (2016) indicates that a more intensive approach is necessary in this regard. The Board considers the implementation of this recommendation to be in progress.		X		
8	A/71/5 (Vol. I), chap. II, para. 68	The Board recommended that the Administration confirm that the Headquarters Property Survey Board was presented with information concerning the UNMEER assets gifted to other organizations in 2015, and that post facto approval was obtained as required.	The Office of Central Support Services and the Headquarters Property Survey Board reviewed the cases between November 2014 and October 2015 that presented information concerning UNMEER assets gifted to other organizations as well as non-UNMEER assets that were passed through UNMEER to other organizations. The Assistant Secretary-General, Office of Central Support Services, approved all the related Headquarters Property Survey Board minutes.	The Administration has reported action taken on the recommendation. In view of the reply, the recommendation is considered implemented.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
					Fully implemented	Under implementation	Not implemented	Overtaken by events
9	A/71/5 (Vol. I), chap. II, para. 88	The Board recommended that the Administration assess the current status of implementation of the nine recommendations from the working group and report on progress made in the next annual progress report on accountability.	General Assembly resolution 71/283, paragraph 14, requested the Secretary-General to come out with a detailed plan for the implementation of results-based management as follows: "Notes that the Secretary-General did not include in the sixth progress report a detailed plan, with a fixed time frame and clear milestones, for the implementation of results-based management in the regular functioning of the Organization, and reiterates its request that he include such a detailed plan in the seventh progress report." While this new plan may include some of the elements of the results-based management working group, it might be substantially different as it will take into account new realities brought about by Umoja.	The progress in the implementation of the recommendations of the Working Group has not been presented in the progress report on accountability. The Administration may present the status of the recommendations (implemented, change in circumstances etc.) of the Working Group in the detailed plan to be included in the seventh progress report. The recommendation is considered under implementation.		X		
10	A/71/5 (Vol. I), chap. II, para. 90	The Board reiterated its previous recommendation that the Administration establish how and under what timeframe it will be able to more closely link budget consumption with what was delivered in terms of outputs and outcomes and set out a detailed plan embedding results-based management as part of business as usual, defining clear responsibilities and resources.	This is a complex issue that would require further review and analysis in terms of the added value of cost accounting, as there are a number of factors that would affect the correlation between the two areas. For example, the improvement in percentage of outputs vis-à-vis increased post costs relating to post adjustment multipliers and the strengthening of the United States dollar. Hence, while the output continues to be delivered, the costs of delivering such outputs has reduced based on factors beyond the Secretariat's control.	The recommendation of the Board to move to results-based budgeting and management has been a long-standing one. So far, the Board has not seen any evidence that the management has taken steps to move towards this. In resolution 71/283, the Assembly requested that a detailed plan, with a fixed time frame and clear milestones, be included in the seventh progress report. The Board therefore considers this recommendation as not implemented.			X	

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
					Fully implemented	Under implementation	Not implemented	Overtaken by events
11	A/71/5 (Vol. I), chap. II, para. 99	The Board recommended that the Administration accelerate its current process of strengthening the performance measures used by departments to measure and report results.	This has been and continues to be implemented, most recently in the context of the preparation for the 2018-2019 strategic framework where revisions to elements of the strategic framework were undertaken to make them more impact-oriented.	While the Administration has taken some steps in this direction, specific performance indicators for measuring the impact of the activities of each department are yet to be firmed up. The Board therefore considers this recommendation to be under implementation.		X		
12	A/71/5 (Vol. I), chap. II, para. 112	The Board recommended that the Administration set out a detailed plan for how it can make best use of current resources to improve evaluation across the Secretariat, including the level and types of reviews it needs to undertake, the skills and capacity required to perform them, and how it can learn lessons from existing approaches to cost effectively support staff to perform self-evaluations through training staff in standard evaluative tools and techniques.	The Administration is looking forward to coordinating its efforts in this area with the Office of Internal Oversight Services (OIOS), which is the office responsible for internal evaluation services within the Secretariat. Two main types of evaluations are conducted in the United Nations Secretariat: internal and external. Internal evaluations include self-evaluations that are conducted under the supervision of heads of departments and offices, and the in-depth evaluations that are conducted by OIOS. OIOS is the principal entity with responsibility for the internal evaluation function within the United Nations Secretariat. Although operationally independent, evaluations conducted by OIOS are considered as internal evaluations. External evaluations in the Secretariat refer to those conducted by the Joint Inspection Unit and by the Board of Auditors and are in the form of performance audits. OIOS is also responsible for providing assistance to programme managers with respect to the implementation of recommendations and for providing support and advice concerning monitoring and self-evaluation. Response of OIOS: As reiterated in recent discussions with the Department of Management, OIOS does not support the Department's characterization of OIOS as the office responsible for internal evaluation services within the Secretariat. Our mandate	The Board has noted the response of the Administration which indicates some progress has been made. The Board considers this recommendation as being under implementation.		X		

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
					Fully implemented	Under implementation	Not implemented	Overtaken by events
			under Assembly resolution 48/218 B requires us to have operational independence, which precludes us from being responsible for the self-evaluations that are conducted under the supervision of heads of departments and offices. And while OIOS has a general mandate to advise programme managers on the effective discharge of their responsibilities, provide assistance to programme managers in implementing recommendations, ascertain that programme managers are given methodological support, and encourage self-evaluation, this should not be interpreted as responsibility for establishing the Secretariat's self-evaluation policy and planning for self-evaluation. Further, OIOS has provided its proposals to the Executive Office of the Secretary-General and these are being considered in the context of the Secretary-General's forthcoming management reform proposals.				
13	A/71/5 (Vol. I), chap. II, para. 122	The Board recommended that the Administration ensure the rental charge is an accurate representation of current market rates in each location.	This is in progress and still on target to be completed by the end of 2017.	The Board noted the assurance of the Administration and considers the recommendation to be under implementation.		X		
14	A/71/5 (Vol. I), chap. II, para. 126	The Board recommended that the Administration review the completeness of data in the Umoja real estate module and ensure that adequate controls are in place to assure data quality.	The Administration developed/updated training material and conducted Umoja real estate end user training and local process expert certification training at two duty stations (the Economic Commission for Africa (ECA) in November 2016 and the Economic and Social Commission for Asia and the Pacific (ESCAP) in March 2017). A total of 36 participants, including six from peacekeeping missions, received end user training. From this group, 20 participants were successfully certified as Umoja real estate local process experts, who will provide tier 1 support. Additional end user training and local process expert certification sessions are planned for one or two combined	While significant use of the real estate module has been noticed, the Board has not seen evidence of a review of the completeness of the information by the Administration. The Board therefore considers this recommendation to be under implementation.		X		

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			groups from the remaining offices away from Headquarters before the end of 2017. At least one or two training sessions targeting peacekeeping operations are also scheduled for the second and third quarters of 2017. The Office of Central Support Services disseminates monthly key performance indicator reports to all 64 entities in which the Umoja real estate solution was deployed. The report assists entities/offices to monitor and measure real estate data and performance under their purview. The Office routinely alerts missions to data discrepancies and lags in real estate cost recovery activities. The Office also provides tier 2b real estate process support to global real estate users, assisting them in real estate cost recovery and data enrichment activities. As more training has been conducted at the various entities and as user capacity is increased and results show in the improvement of data quality in 2017, this will demonstrate the adequacy of the controls the Office has put in place.				
15	A/71/5 (Vol. I), chap. II, para. 131	The Board recommended that the Administration perform utilization studies across the main locations of the Secretariat to identify the required size and composition of the estate to better support future requests for funding.	The Administration will develop a standard methodology for undertaking utilization studies. This is in progress and on target to be completed by the end of 2019.	The Board noted that the Administration has targeted implementation of this recommendation. The Board noted that the functionality to track utilization rates is included in Umoja Extension 2 and while this will provide a single repository, the data would still need to be collected as recommended. The Board therefore considers this recommendation to be under implementation.		X		

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16	A/71/5 (Vol. I), chap. II, para. 135	The Board recommended that the Administration establish standard cost categories for use by each duty station to improve transparency and enable reporting of "cost of the estate per staff member" at each location.	The Administration has coordinated a benchmarking exercise through its Inter-Agency Network of Facilities Managers, which includes Headquarters and all offices away from Headquarters. The Office of Central Support Services will further develop a key performance indicator for the cost of the estate per staff member to be used for reporting purposes as part of future benchmarking exercises. This is in progress and still on target to be completed by January 2018.	The Board noted that the Administration has taken steps towards implementing this recommendation. It has been seen that some duty stations capture maintenance activities in capital expenditure and others in operational budgets. This anomaly needs to be corrected. The Board considers the recommendation to be under implementation.		X		
17	A/71/5 (Vol. I), chap. II, para. 137	The Board recommended that the Administration establish a standard format for proposing maintenance budgets to improve comparability across duty stations.	This is in progress and still on target to be included in the report of the Secretary-General on the strategic capital review to be submitted to the General Assembly at the main part of its seventy-second session.	The Administration has assured the Board that steps are being taken to implement the recommendation. The Board therefore considers this recommendation to be under implementation.		X		
18	A/71/5 (Vol. I), chap. II, para. 141	The Board recommended that the Administration design a common set of performance metrics to help benchmark performance across each duty station.	The Administration has coordinated a benchmarking exercise through its Inter-Agency Network of Facilities Managers, which includes Headquarters and all offices away from Headquarters. The Office of Central Support Services will further develop a set of standard metrics for future benchmarking exercises. This is in progress and still on target to be completed by June 2018.	The Administration has assured the Board that steps are being taken to implement the recommendation. The Board therefore considers that the recommendation is under implementation.		X		
19	A/71/5 (Vol. I), chap. II, para. 143	The Board recommended that the Administration design a common set of performance measures to improve consistency of reporting to Member States.	The Administration has coordinated a benchmarking exercise through its Inter-Agency Network of Facilities Managers, which includes Headquarters and all offices away from Headquarters, and will further develop a set of standard key performance indicators, for, for example, cost of utilities per square metre, space utilization efficiency and cost of service contracts per square metre, to be used for reporting purposes as part of future benchmarking exercises. This is in progress and still on target to be completed by June 2018.	The Administration has assured the Board that steps are being taken to implement the recommendation. The Board therefore considers that the recommendation is under implementation.		X		

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					Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
20	A/71/5 (Vol. I), chap. II, para. 154	The Board recommended that the Administration review the current resource model for the Overseas Property Management Unit and determine whether it has the capacity and skills to fulfil current and future levels of demand.	The Administration is on target to present proposals for strengthening the Overseas Property Management Unit. It is noted that at the seventy-first session of the General Assembly, the role of the Unit was broadened to include oversight and risk management services for two ongoing projects (ECA, Africa Hall, and ESCAP, seismic retrofit). The Unit is in the process of engaging independent risk management services and providing coordination staffing resources in New York to fulfil this new expanded mandated role.	The Administration has initiated steps to implement the recommendation. The Board therefore considers that the recommendation is under implementation.		X		
21	A/71/5 (Vol. I), chap. II, para. 157	The Board recommended that the Administration formalize use of the Overseas Property Management Unit project management guidelines on all major construction projects.	The Administration will develop and promulgate a policy which formalizes the use of the Overseas Property Management Unit project management guidelines for all major construction projects following consultation with all relevant parties. This is in progress and still on target to be completed by December 2017.	The Administration has initiated steps to implement the recommendation. The Board therefore considers that the recommendation is under implementation.		X		
22	A/71/5 (Vol. I), chap. II, para. 160	The Board recommended that the Administration consider how best to improve the consistency of estates management by: (a) developing a global estates strategy; or (b) defining a standard approach to developing local estates strategies, ensuring that the impacts of wider business transformation initiatives on future estates requirements are taken into account.	The Administration will expand the scope of the next report on the strategic capital review to incorporate a global estates strategy. This is in progress and still on target to be included in the report of the Secretary-General on the strategic capital review to be submitted to the General Assembly at the main part of its seventy-second session.	The Administration has assured the Board that steps are being taken to implement the recommendation. The Board therefore considers that the recommendation is under implementation.		X		

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23	A/71/5 (Vol. I), chap. II, para. 166	The Board recommended that the Office of Human Resources Management strengthen its performance monitoring mechanisms, including re-establishing the Performance Review Group as proposed, to improve the performance of entities that did not achieve targets on staff recruitment times, vacancy rates and completion of performance appraisals.	The Office of Human Resources Management will re-establish the Performance Review Group, as recommended by the Board. The Administration notes that this recommendation has been reiterated in the current report and requests closing the recommendation.	The Board noted the Administration's response and considers this recommendation to be under implementation.		X		
24	A/71/5 (Vol. I), chap. II, para. 169	The Board recommended that the Administration develop indicators for handling disciplinary cases. These indicators should cover: (a) the proportion of referrals that lead to a case being initiated; (b) the length of time between referral and case initiation; (c) overall case durations; and (d) case outcomes. The indicators should be used to support improvements in the processes for referring and handling cases.	The Department of Management, in coordination with other relevant departments and offices of the Secretariat, will develop the relevant indicators for the handling of disciplinary cases. OIOS routinely measures the indicators mentioned in the recommendation and this information is captured in the OIOS performance measures.	The Board noted the Administration's response and considers this recommendation as under implementation. The Board would verify the indicators measured by OIOS in the course of the next audit.		X		
25	A/71/5 (Vol. I), chap. II, para. 179	The Board recommended that outreach services specifically cover unrepresented countries and underrepresented countries to increase the number of selections from these locations.	The outreach activities of the Office of Human Resources Management specifically target unrepresented and underrepresented Member States. Within limited resources, only some of those countries can be visited. There is thus also a need to visit multiplier countries where many persons from various unrepresented and underrepresented countries live and study. Placement of the candidates on the roster of the young professionals programme depends on the availability of posts at Professional levels P-1	The Board noted from the Administration's response that the Administration has been making efforts to improve the outreach activities. The Board further acknowledges the contention of the Administration that successful outreach activities, by themselves, may not result in improved	X			

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			and P-2 for a given period. In consultation with departments and offices, the Office will place a number of candidates on the roster. Subsequent to the audit, in 2016 missions were carried out in Brazil, China, Japan and the United States of America, all of which are underrepresented, and to the United Kingdom and Canada, which are multiplier countries that host many nationals of unrepresented and underrepresented Member States. This should be seen in the context of limited resources that do not permit all unrepresented or underrepresented Member States to be visited. In 2015, for example, Turkey, Angola and the Gambia were visited along with Japan and the United States. As an example, the United States, which is underrepresented, also has nationals from unrepresented and underrepresented Member States living and studying within the country, and thus is specifically targeted for outreach. In general, outreach efforts are undertaken to share information, increase awareness and advocacy about career opportunities at the United Nations and thus encourage nationals of unrepresented and underrepresented Member States to apply for positions in the Secretariat. Outreach efforts have included missions to individual countries, particularly unrepresented and underrepresented Member States, including both developed and developing country Member States. Some visits to multiplier Member States that host many nationals of unrepresented and underrepresented Member States are also undertaken. An outreach mission entails briefing sessions on employment opportunities in the United Nations for potential candidates, including university students; seminars on how to prepare applications for United Nations job openings and guidance on competency-based interviews; and meetings with officials representing Governments, universities and	representation. In view of the reply of the Administration, the Board considers this recommendation as implemented.				

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			non-governmental organizations. These outreach missions are often undertaken jointly with other United Nations organizations. In addition, the young professionals programme (which is only open to nationals of unrepresented or underrepresented Member States) is an important tool to address underrepresentation and non-representation, and outreach efforts also focus on promoting this opportunity. In 2017, 60 Member States will be participating. Outreach efforts are specifically focused on unrepresented and underrepresented countries; however successful outreach does not necessarily result in a change in the number of selections from unrepresented and underrepresented countries. While geographical representation (and gender balance) are organizational priorities, selections are made in line with Article 101, paragraph 3, of the Charter: "The paramount consideration in the employment of the staff and in the determination of the conditions of service shall be the necessity of securing the highest standards of efficiency, competence, and integrity. Due regard shall be paid to the importance of recruiting the staff on as wide a geographical basis as possible."				
26	A/71/5 (Vol. I), chap. II, para. 186	The Board recommended that the Office of Human Resources Management: (a) analyse the additional capabilities required of Umoja to better implement the mobility framework, incorporating features such as the capture of baseline data on movements, even when there is no change in duty station, the capture of the vacancy rate by job network, enhanced tracking of expenditure and the	(a) Enhancement in Umoja's personnel administration module has been made so that better capturing and segregation of long-term and short-term movements can be identified and recorded in a more structured manner. This enhancement has been launched since the middle of February 2017; (b) We have been monitoring movement trends since the new staff selection system was launched. The Office is working on the global workforce planning training guide that will enable mainstreaming of workforce planning across all entities in the United Nations Secretariat in the fourth quarter of 2017. 2020 is the target to have workforce plans in place. In addition, the job network	The Board noted the Administration's response and considers this recommendation to be under implementation.		X		

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		putting in place of checks and validations to ensure that the recording of information by all entities is consistent, within a definite time frame; and (b) monitor the trend of movements between duty station categories and try to increase movement between different categories to better realize the organizational goals linked with mobility.	board and the senior review board are cognisant of the organizational priority pertaining to burden sharing, moving staff members from family to non-family duty stations and vice-versa, and they do take into account this priority in developing reassignment recommendations under the managed mobility exercises. The Office also monitors the trend in their recommendations in this regard. Further, human resources personnel administration and organizational management modules will facilitate more details of a staff's maximum occupancy position as well as non-rotational position. The Office plans to work with other colleagues in the Department of Management to enhance the tracking of expenditure related to staff movements.					
27	A/71/5 (Vol. I), chap. II, para. 198	The Board recommended that the Learning, Development and Human Resources Services Division: (a) consider more focused inputs while preparing the budget to ensure better compliance in terms of achievement of targets; (b) identify causes for underachievement and take suitable corrective action to ensure achievement of targets for all objectives and outputs specified in the programme budget; (c) make efforts to increase the sample sizes for surveys to obtain feedback and implement the standardized surveys early, which will generate more reliable data to support conclusions drawn	Given that we have just begun the interim review of the programme performance for the Learning, Development and Human Resources Services Division vis-à-vis the targets identified in the budget document for 2016-2017, it is still too early to comment on whether there is in fact an underachievement in this cycle. Therefore it is not possible to ascertain whether corrective action is necessary at this time. It should be noted that the budget document for 2018-2019 has been formulated based on the strategic framework that has already been agreed by the Assembly, and therefore there is little room for changing inputs to be more focused. This will be kept in mind, however, during the preparation of the 2020-2021 strategic framework later in 2017.	The Board noted the Administration's response and considers this recommendation to be under implementation.		X		

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		therefrom; (d) put in place a mechanism to evaluate the impact of services offered and of the underachievement of targets; and (e) ensure that performance on all parameters set out in the programme budget are measured, documented and reported upon.						
28	A/71/5 (Vol. I), chap. II, para. 214	The Board recommended that the Medical Services Division: (a) design survey questionnaires to seek specific feedback suggestions for improvements; (b) put in place well-defined protocols and adequately train staff to ensure that avoidable delays owing to deficient documentation are reduced to the minimum, enabling faster medical clearances; and (c) define parameters to measure achievement of the goals related to its strategic activities.	(a) The Medical Services Division is in the final stages of procuring a validated survey to be used to gather satisfaction data from all United Nations out-patient facilities. The format, distribution, sample size and content have all been agreed with the vendor. The vendor memorandum for procurement approval of sole-source vendor was received and work has now commenced on identification of a patient satisfaction survey for use in level II hospitals; (b) This recommendation is rendered obsolete by the new medical clearance procedure, the implementation project for which is currently under way; (c) The Division is in the final stages of designing a full suite of measures, which were provided to the auditors under separate cover by direct email. The new medical clearance process has been implemented, completely eliminating the delay in submission of medical documents. A full set of strategic indicators have been developed and are being implemented from the July meeting of the Division's strategic management committee.	The Board noted the Administration's response and considers this recommendation to be under implementation. The progress will be assessed in the next audit of the Board.		X		
29	A/71/5 (Vol. I), chap. II, para. 235	The Board recommended that the Procurement Division review long-term agreements beyond five years to assess whether it would be appropriate to seek fresh solicitations or to make additional agreements	The Procurement Division reviews all long-term agreements as part of its usual practice. Prior to the initiation of a solicitation exercise, the Division and requisitioning departments review and discuss specific needs and requests to ensure that the best options are chosen. The specific case referred to by the Board falls under standardization and was approved by the	The Board has noted the response of the Administration and the recommendations is treated as overtaken by events.				X

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		with other leading vendors at competitive prices.	Architecture Review Board. The Administration considers this recommendation to be fully implemented.					
30	A/71/5 (Vol. I), chap. II, para. 241	The Board recommended that, in cases where exceptionally low bids are accepted, appropriate performance security clauses and key performance indicators for the vendor are automatically included in contracts to protect the interests of the United Nations. The release of payments under these contracts should also be subject to increased scrutiny to ensure that commensurate value has been delivered.	The Office of Central Support Services is paying special attention to the cases where exceptionally low bids are accepted and will include appropriate performance security clauses and key performance indicators in contracts. With regard to increased scrutiny before payment, contract managers will be encouraged to pay special attention to all contracts. In addition, the Procurement Division will continue to provide contract management training to requisitioning departments. In addition, to the contract management training, the Office will issue a memorandum to requisitioners to request them to pay special attention to and perform due diligence for these contracts. The Office of Programme Planning, Budget and Accounts is welcome to advise whether there are additional measures that can be undertaken under their purview.	The Board noted the response of the Administration and considers the recommendation as under implementation.		X		
31	A/71/5 (Vol. I), chap. II, para. 245	The Board recommended that requisitioning departments, in consultation with the Procurement Division, take steps to improve monitoring of contract delivery and ensure that contracts awarded are completed before their expiry.	The Office of Central Support Services will continue to encourage requisitioning departments to ensure that contract management training is undertaken by all relevant staff. It should be noted, however, that the majority of the cases cited by the Board are for services that are used on an "as needed" basis and that pose no risk to the Organization if they are not utilized. The Office of Human Resources Management stated it was reviewing the feasibility of making this programme mandatory for the staff members with contract management responsibilities in the United Nations Secretariat. The review was expected to be completed by the fourth quarter of 2017.	The Board takes note of the comment. Since the improvement of contract management is also included in the recommendation of its report contained in document A/70/5 (Vol. I) for the year ended 31 December 2014, para. 142, the recommendation is treated as overtaken by events.				X
32	A/71/5 (Vol. I), chap. II,	The Board recommended that the Procurement Division, in consultation with the Umoja project team,	Management considers this recommendation implemented as follows and requests its closure: (a) Management wishes to highlight that the	The Board has noted the response of the Administration and the recommendations is treated				X

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	para. 251	perform a comprehensive review to ensure data integrity and to strengthen data input controls in Umoja; and explore how to strengthen performance measurement tools for vendors, for end-to-end process costs and for quality and staff performance under Umoja Extension 2.	data integrity questions have been clarified as per the above comments in the body of the report; (b) Management is unclear as to what extent Umoja would be able to track costs of certain processes or whether this has been part of the project design. Additionally, we presume that accurate monitoring of end-to-end process costs is quite costly, requiring major changes to the Umoja implementation.	as overcome by events.				
33	A/71/5 (Vol. I), chap. II, para. 256	The Board recommended that the legal framework around the granting of funds to partners should be formally introduced into the Financial Regulations and Rules.	The General Assembly adopted resolution 71/283, in response to paragraphs 8 and 10 of which, the Secretariat will now formulate a new financial rule on implementing partners and the related administrative instruction.	The Board noted the response of the Administration and considers the recommendation to be under implementation.		X		
34	A/71/5 (Vol. I), chap. II, para. 264	The Board recommended that the Administration develop a common principles-based framework for the management of partners that specifies the key procedures to be performed by all Secretariat entities. To facilitate the development of the common framework, the Secretariat should conduct an end-to-end review of the project management life cycle, including consultations with key stakeholders and a review of all current practices.	The General Assembly adopted resolution 71/283, in response to paragraphs 8 and 10 of which and the formulation of the new rule on implementing partners, the Secretariat will develop a common principles-based framework for the management of partners.	The resolution has been passed by the General Assembly and the Administration is targeting implementation of the recommendation by September 2017. The recommendation is considered to be under implementation.		X		
35	A/71/5 (Vol. I), chap. II, para. 269	The Board recommended that the Administration finalize, and issue under appropriate authority, its standard template agreement with implementing partners	The Administration will continue to work on issuing a standard template agreement to implementing partners. This is one of the action plans of the Enterprise-wide Risk Management Working Group on implementing partners.	The Board noted that the Administration is working on implementing the recommendation and has targeted it for the third quarter of 2017. The		X		

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		to include appropriate anti-fraud, sanctions and audit clauses.		recommendation is, therefore, considered to be under implementation.				
36	A/71/5 (Vol. I), chap. II, para. 270	The Board reiterated its previous recommendation to establish information sharing mechanisms on implementing partners that cover due diligence procedures, implementation issues and performance evaluations performed by United Nations entities and partners with which they have worked.	The Administration will continue to work on issuing a standard template agreement with implementing partners, which is one of the action plans of the Enterprise-wide Risk Management Working Group.	The Administration is working on the implementation of the recommendation. However, this should be done in a time bound manner. The Board considers this recommendation to be under implementation.		X		
37	A/71/5 (Vol. I), chap. II, para. 283	The Board recommended that the Office for the Coordination of Humanitarian Affairs ensure that the new assurance framework is uniformly applied and embedded across country offices. In particular, the Office urgently needs to improve the collation and analysis of data on the results of monitoring activities performed during the year to confirm that there is sufficient assurance that funds have been applied for the purposes intended.	Implementation of this recommendation is in progress and planned to be completed by the end of 2017, in accordance with the target date. As at early 2017, the development of the earlier-mentioned dashboards is under way in the internal business intelligence module for country-based pooled funds, which will be rolled out for full implementation by the end of 2017.	The Administration has fixed a target for implementation of the recommendation as the end of 2017 and is working towards it. Hence, the recommendation is considered to be under implementation.		X		

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38	A/71/5 (Vol. I), chap. II, para. 286	The Board recommended that the Administration conduct a comprehensive review of the functionality of existing grants management systems and the information needs of users and other stakeholders before finalizing the scope of Umoja Extension 2.	Umoja Extension 2 requires the continuous active involvement of the process experts designated by the business process owners. Consultations will be undertaken as part of the normal design process and verifications will be performed during the regular test cycles. This particular functionality is included under the programme management component of the budget formulation project and as part of the implementing partners project.	The Board takes note the response of the Administration and that the implementation is targeted for the last quarter of 2018. In view the reply, the recommendation is considered to be under implementation.		X		
39	A/71/5 (Vol. I), chap. II, para. 292	The Board recommended that the Administration develop appropriate project-level risk guidance that supports the wider Secretariat approach to risk management.	The Administration is developing guidelines on how all Secretariat entities can implement an effective enterprise risk management framework.	The Board noted the response of the Administration and considers the recommendation as under implementation. The implementation of the guidelines will be verified in the next audit.		X		
40	A/71/5 (Vol. I), chap. II, para. 296	In light of the delays noted above, the Board recommended that the Administration reassess the realism of the timelines set out in the risk action plans approved in June 2015.	The timelines were revised by corporate risk owners, and formally presented to the Management Committee in November 2016 through the risk treatment and response plans progress scorecard. Progress is also periodically reassessed by the Committee.	As the risk action plans are yet to be finalized, the Board considers the recommendation to be under implementation.		X		
41	A/71/5 (Vol. I), chap. II, para. 303	The Board reiterated its previous recommendation that the Administration develop a detailed implementation plan for all elements of enterprise risk management that sets out a clear timetable, milestones, deliverables and resources required.	All the elements for implementation at the Secretariat-wide level are in place: • A formally approved policy (May 2011) • A methodology for its implementation • A detailed enterprise risk management guide for managers (January 2017), complemented by relevant tools and templates • An established risk assessment process (a new Secretariat-wide risk assessment will be conducted from September 2017) • A formal governance structure, including a central enterprise risk management function, a senior-level enterprise risk management	The Board noted the progress made in the implementation of an enterprise risk management system. However, certain key activities such as an Organization-wide risk assessment exercise are yet to be carried out. The Board therefore considers this recommendation as under implementation.		X		

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			committee (the Management Committee), formally appointed corporate risk owners for the critical risks, and dedicated risk treatment working groups • Regular monitoring and reporting, on a quarterly basis to the Management Committee and annually to the General Assembly • A communication programme consisting of: – In-person training for focal points – An online programme available both in Inspira and the Staff College (over 2,000 colleagues) – A dedicated community of practice (over 200 practitioners) – Dedicated iSeek webpages and articles.					
42	A/71/5 (Vol. I), chap. II, para. 312	The Board reiterated its previous recommendations on fraud and strongly encouraged management to review its approach to involving local law enforcement authorities in investigations of wrongdoing.	The Administration reiterates its comments contained in paragraph 124 of the report of the Secretary-General on implementation of the recommendations of the Board of Auditors contained in its reports for the year ended 31 December 2014 on the United Nations and on the capital master plan (A/70/338 and Corr.1). In this connection, and with a view to ensuring that all credible allegations of fraud are referred to Member States for their action, the Office of Legal Affairs issued a circular on 29 January 2016 to all heads of departments and offices, as well as to the heads of United Nations funds and programmes, reminding them to inform the Office of Legal Affairs of all credible allegations of criminal conduct by their officials and experts on mission so that the Office can refer the allegations to national authorities, as appropriate. The Administration considers this recommendation to be fully implemented.	The Board noted the action taken by the Administration. But the Board also observed that the action taken does not clearly lay down criteria and procedures for referring cases to local law enforcement authorities. Hence, the Board considers the recommendation under implementation.		X		
43	A/71/5 (Vol. I), chap. II, para. 328	The Board reiterated its previous recommendation that the Management Committee assess whether it has the tools and	The role of the Management Committee is defined in ST/SGB/2011/3. For addressing its strategic role established therein, it is believed that the Management Committee does have the necessary tools and capabilities to oversee the	In view of the response of the Administration, the Board considers this recommendation as implemented.	X			

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		capabilities to support it in managing the organizational improvement programme, and that it devise a plan to address any gaps.	organizational improvement programme, as it is composed of experienced and capable managers at the highest levels of the Organization. The Committee does not manage the day-to-day operational aspects of the individual transformation projects, as these have their respective project teams and individual steering/governance committees, which in turn report to the Committee on a periodic basis for strategic guidance. This recommendation should be closed as implemented.					
44	A/71/5 (Vol. I), chap. II, para. 329	The Board reiterated its previous recommendation that the Administration establish a formal approach to managing and improving operations to enable continuous reform and improvement in departments.	The Administration noted that it has a well-defined formal approach for the implementation of reforms which are overseen by the Management Committee, which oversees the continuous reform process. Individual steering committees (or their equivalent), project teams and department or office heads oversee the day-to-day reform and improvement within each functional area. This approach has proven to be effective in the past, demonstrated by the successful completion of the capital master plan, the implementation of IPSAS and the various phases of Umoja. This recommendation should be closed as implemented.	While continuous reform and improvements in departments are an ongoing process, a formal approach to the same would streamline this. While acknowledging the response of the Administration, the Board considers this recommendation to be under implementation.		X		
45	A/71/5 (Vol. I), chap. II, para. 28	The Board recommended that the Administration transform the finance function into a more strategic value-adding service and support that transformation with a wider financial management training programme to enhance financial literacy and management across the Organization.	The Office of Programme Planning, Budget and Accounts has continued its efforts to pilot the professional financial management training via the Chartered Institute of Public Finance and Accountancy and in addition has trained key finance managers in the areas of risk management and internal controls.	Although the Administration has undertaken initiatives to organize professional financial management training for its staff, there is no evidence that the Administration has started to transform the finance function into a more strategic value-adding service. The Board therefore considers this recommendation to be under implementation.		X		
46	A/70/5 (Vol. I),	The Board recommended that the Administration:	The Administration is in the process of reviewing activity types for the costing of	The development of a Secretariat-wide service		X		

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	chap. II, para. 40	(a) develop standard approaches and methodologies for measuring the costs of providing services to internal and external users; and (b) identify how Umoja can support more transparent recording, analysis and reporting of the full costs of activities.	services with the goal of consolidating the Secretariat-wide service catalogue. With the implementation of Umoja, the Secretariat has started the process of developing a standardized consolidated catalogue for the costs of services it provides. Once the standardization is complete the Secretariat should be able to compare the cost of providing services across the United Nations Secretariat and identify areas of opportunity to capture efficiencies.	catalogue for the costing of services is welcome. As the process is still under way, the Board considers this recommendation to be under implementation.				
47	A/70/5 (Vol. I), chap. II, para. 55	The Board recommended that the Administration develop the tools, capacity and capability to generate comprehensive and detailed information that can be used to better understand, manage and control staff costs and to provide more accurate, timely and complete management information to support decision-making.	In addition to the information provided earlier, the implementation of Umoja has provided a global view of staff costs at a more granular level. The Office of Programme Planning, Budget and Accounts has developed a business intelligence report that includes information from the funds management, payroll, travel and financial accounts modules, and provides a complete view of staff budget and expenditures at a much more granular level (especially in the payroll area) than the existing reports. The report, which has been shared with entities, facilitates the review and monitoring of staff costs more effectively.	The Board considers the business intelligence reports now being generated through Umoja as a good beginning to leverage the capabilities of Umoja to support better and more informed decision-making and looks forward to reviewing further progress made this in this regard. For the present, the Board considers the recommendation as implemented.	X			
48	A/70/5 (Vol. I), chap. II, para. 60	The Board recommended that the Administration examine the underlying causes of the differences in average claim costs to determine whether there is scope to reduce the costs of administering the schemes.	The Administration monitors the average claim costs and an investigation will be undertaken only if the trend warrants it. Additional disclosure in the financial statements will also be considered if appropriate. The meetings mentioned in the prior update took place in the fall of 2016 with every third party administrator to analyse current claim costs. Such meetings are taking place twice a year, in the fall for a full review of the past year (July to June) and in the spring to finalize the renewal decisions effective 1 July and adopt plan design changes to adapt coverage and contain costs	The Board recognizes that differences in locations and category of insured persons could impact costs but these need investigation and monitoring over time. The Board considers this recommendation not implemented.			X	
49	A/70/5 (Vol. I), chap. II,	The Board recommended that arrangements be made to conduct an open-book	The Administration has identified an audit firm to conduct the two next open book audits of the third party administrators. The request for	The process leading to an open-book audit of the third-party administrators is still		X		

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	para. 64	audit of the third-party administrators to provide assurance over the accuracy of reported costs and activities performed by the Administration's agents and to confirm that they have complied with their contractual obligations. The inspection rights under those contacts should be exercised regularly in future.	proposals closed and the technical evaluation committee completed its work after having received the additional required information. The report of the technical evaluation committee was finalized on 17 February 2017 and was sent to the Procurement Division in the week of 20 February.	under way. The Board considers this recommendation under implementation.				
50	A/70/5 (Vol. I), chap. II, para. 74	The Board reiterated its previous recommendation and encouraged the Secretariat to expedite work on developing workforce planning as a matter of urgency.	The Office of Human Resources Management has launched a workforce planning mainstreaming project aimed at standardizing the workforce planning methodology Secretariat-wide by providing training and guidance, as well as creating a community of practice, to empower entities to work on their plans individually. Upon completion of the mainstreaming, entities should have standardized but individual workforce plans aligned to the organizational strategy.	The Board noted the Administration's response and considers this recommendation under implementation.		X		
51	A/70/5 (Vol. I), chap. II, para. 80	The Board recommended that the Secretariat: (a) develop an appropriate mechanism to ensure that budget and human resources functions currently handled in silos by the Office of Human Resources Management and the Office of Programme Planning, Budget and Accounts are better coordinated to improve strategic human resources planning; (b) review job profiles to ensure each post is categorized within an appropriate job family and	(a) As the Administration continues to deploy and enhance Umoja, there will be better process and information management between the budget and human resources management functions. The Office of Human Resources Management and the Office of Programme Planning, Budget and Accounts are part of the Umoja Extension 2 deployment. (b) With respect to the recommendation contained in paragraph 80 (b), as a matter of practice, before posts are advertised it is confirmed whether a proper job classification for the post exists and in the event there is no such classification, departments are advised to request that the post be reviewed and classified against the applicable job classification standards established by the International Civil Service Commission.	The Board noted the Administration's response and considers this recommendation under implementation.		X		

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		network using a common standard classification system; and (c) consider the scope for developing a workforce planning module in the scope of Umoja.	(c) Umoja Extension 2 will provide better information management between budget and human resources for various steps of the workforce planning process. There is no workforce planning module, as such, planned for Umoja at this time.					
52	A/70/5 (Vol. I), chap. II, para. 83	The Board recommended that the Administration review, update and rationalize the current delegations of authority.	Implemented in accordance with A/71/331/Add.2, paragraph 120. The Secretary-General's bulletin on delegation of authority in the administration of the Staff Regulations and Rules (ST/SGB/2015/1) was promulgated in April 2015.	The Board noted the Administration's response and also that an administrative instruction in this regard is yet to be finalized and promulgated and considers this recommendation as under implementation.		X		
53	A/70/5 (Vol. I), chap. II, para. 84	The Board recommended that the Administration produce a consolidated policy document which clearly sets out delegations of authority, and that the Office of Human Resources Management establish an assurance and oversight framework to monitor the exercise of delegated powers and ensure that they are exercised in conformity with the approved policy.	This is work in progress in view of the other initiatives being implemented in the Organization, including Umoja as well as the expected implementation of a new global service delivery model from 2018 onward, subject to approval by the General Assembly at its seventy-second session.	The Board noted the Administration's current response and considers this recommendation to be under implementation.		X		
54	A/70/5 (Vol. I), chap. II, para. 92	The Board recommended that the Office of Human Resources Management monitor the implementation of the Secretary-General's bulletin on employment and accessibility for staff members with disabilities in the United Nations Secretariat (ST/SGB/2014/3).	This is work in progress and subject to the decisions of the working group led by the Department of Economic and Social Affairs in accordance with the General Assembly decisions on this matter. The Office of Human Resources Management is participating in the working group and supporting efforts toward the finalization of such an administrative issuance.	The Board noted the Administration's response and considers this recommendation to be under implementation.		X		
55	A/70/5	The Board recommended	EarthMed and Umoja are fully integrated via an	The Board noted the		X		

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	(Vol. I), chap. II, para. 93	that the Administration address gaps in access to data on sick leave for comprehensive and timely reporting and develop capability to gather information on key health-care parameters covering all its clients across the United Nations system for more comprehensive reporting on status and policy issues.	existing interface for certified sick leave requests for periods beyond 20 days in a leave year. Three issues affect further integration and the usefulness of the data collected: (a) The inclusion of certified sick leave absences of less than 20 days in a leave year is the most significant additional requirement, and will have the greatest effect on the extent of the data available. The EarthMed web portal has been developed for this purpose. This is likely to occur in the first or second quarter of 2017, depending on external factors such as the establishment of new servers in back up locations by the Office of Information and Communications Technology, and on the final development work required for the portal. (b) The inclusion of uncertified sick leave data is not being considered for integration with EarthMed. This is because uncertified sick leave is an entitlement which is managed by human resources and which is used for a range of unsubstantiated and non-medical absences. The inclusion of days which are not medical would distort the findings collected from certified sick leave absences, and hence are excluded. (c) The lack of an effective human resources/attendance management system to support Umoja's absence recording system results in a substantial under-recording of sick leave requests. These reports and the dashboard are deferred pending the introduction of the portal, which will have a significant impact on the data collected. The underlying reporting mechanisms are largely in place within the software. In preparation for further development, a team of five Medical Services Division staff have recently undertaken Umoja business intelligence training. Further, amendments to the administrative instruction to require staff to submit data on sick leave of less than 20 days to the Medical Service have been drafted. Medical Services Division staff have undertaken training to develop skills	Administration's response and considers this recommendation to be under implementation. The implementation of the measures taken will be verified in the course of the next audit.				

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					Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
			to generate data reports from Umoja.					
56	A/70/5 (Vol. I), chap. II, para. 98	The Board recommended that the Office of Human Resources Management: (a) consider capturing information on the spans of control of first and second reporting officers with a view to identifying cases where such spans are unacceptably large compared with office norms; (b) consider the use of enhanced data analytics for additional dashboard reports that would facilitate analysis of individual performance grading of individual employees; and (c) consider enhancing system applications to aggregate information on individual development plans and training activities to be undertaken.	(a) Completed. The performance management dashboard allows for such information to be compiled and for offices with unacceptably large spans of control to be identified. Such an analysis was done at the end of the 2015/16 cycle and was shared with the Board on 17 January 2017. (b) Completed. The performance management dashboard includes charts for departments to be able to track ratings and their overall distribution by cycle at an aggregate departmental level as well for individual employees. (c) In progress. In the context of the new organizational leadership model being developed, expectations are being outlined for managers on development discussions with their staff. This requires a redefinition of development focused on development of skills rather than promotion or movement to a new post. Once this process has been defined, technical solutions will be explored where the development plan can best be recorded so that it provides useful data for staff, managers and the Organization.	The Board noted the Administration's response and considers this recommendation to be under implementation.		X		
57	A/70/5 (Vol. I), chap. II, para. 104	The Board recommended that the Office of Human Resources Management expedite the progress and resolution of disciplinary cases and develop a centralized monitoring system to track the number of ongoing investigations of alleged misconduct from the stage when a complaint is formally lodged or recommended by OIOS.	The Office of Human Resources Management continues its efforts to expedite the process. However, as indicated earlier we are not able to track the investigation cases at this point. The Administration continues to make every effort to expedite the disciplinary process in cases referred for disciplinary action. The Administration, in conjunction with OIOS, is working on establishing a central intake mechanism to keep track of all investigations in the Organization.	The Administration continues to make every effort to expedite the disciplinary process in cases referred for disciplinary action. The Administration, in conjunction with OIOS, is working on establishing a central intake mechanism to keep track of all investigations in the Organization.		X		

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58	A/70/5 (Vol. I), chap. II, para. 122	The Board recommended that the Secretariat: (a) develop detailed enterprise risk management policies and procedures for staff to follow at departmental levels of the Organization to supplement the guidance in place for managing the critical enterprise risks; (b) develop a detailed implementation plan for all elements of enterprise risk management that sets out a clear timetable, milestones, deliverables and resources required; (c) increase the level of communication and training provided to staff on enterprise risk management policies and procedures; (d) consider the acquisition of appropriate tools, including software, to support the implementation of enterprise risk management; and (e) introduce regular progress reports to inform the Management Committee of the status of implementation of enterprise risk management throughout the Organization and to provide assurance that risks are being managed and mitigated effectively.	The Administration has been implementing enterprise risk management with very limited human resources (one Professional level post and half-time of a General Service level post). Notwithstanding the limited resources, substantive progress has been made in this area as follows: a detailed enterprise risk management policy framework and methodology has already been provided to the focal points and working group members, enterprise risk management policies and procedures for staff to follow at the departmental levels are being prepared, a Secretariat-wide high-level risk assessment has been implemented, an action plan for mitigating these risks is being implemented and periodic reports on the progress achieved are presented to the Management Committee, acting as the enterprise risk management committee of the Secretariat, on a quarterly basis. In addition, several communication and training activities have been implemented Secretariat-wide to move the enterprise risk management efforts forward. Addressing the rest of the Board's recommendations will require additional resources and the Secretariat will prepare a detailed implementation plan for all elements of enterprise risk management that sets out a clear timetable, milestones, deliverables and resources required.	The Board noted the response of the Administration and considers the recommendation to be under implementation.		X		

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					Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
59	A/70/5 (Vol. I), chap. II, para. 128	The Board reiterated its previous recommendations on fraud and strongly encouraged management to take concerted and urgent action to strengthen its counter-fraud policies and procedures.	The Secretariat is working on the implementation of several measures to strengthen its counter-fraud policies and procedures, including: • The issuance of the Secretariat's Anti-Fraud and Anti-Corruption Framework on 15 September 2016. This Framework includes definitions of fraud and corruption as they apply to the Secretariat, together with concrete examples of cases most frequently found in the Organization. It also describes the expectations and responsibilities with respect to the prevention of fraud and corruption for each actor concerned, from the Secretary-General downward; the fraud prevention measures in place in the Secretariat; and the principles guiding third parties in contractual arrangements with the Secretariat, including vendors, suppliers and implementing partners. In addition, it clearly reiterates the Organization's zero-tolerance approach to fraudulent acts committed by Secretariat staff members. • The Framework is the cornerstone of an enterprise-wide campaign being carried out in coordination with OIOS and the Ethics Office. It includes the following activities: (a) The fourth leadership dialogue launched by the Executive Office of the Secretary-General and the Ethics Office, on the topic "Fraud awareness and prevention: how do I fit in?" The dialogue is mandatory for all staff members at all levels and was designed around the main issues included in the Framework; (b) An e-learning programme on anti-fraud efforts, entitled "Preventing fraud and corruption at the United Nations" and planned by the Ethics Office in coordination with OIOS and the Office of Human Resources Management. The course will be	The Board noted the issuance of an Anti-fraud and Anti-corruption Framework and considers that the effectiveness of this Framework would depend upon the diligence with which it is implemented. The Board noted that a fraud risk assessment exercise is yet to be completed. The Board considers this recommendation to be under implementation.		X		

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			available to all staff starting in the first quarter of 2017; (c) iSeek stories and anti-fraud pamphlets. The Department of Management, through a story published on iSeek on 15 September 2016, reiterated that combating fraud and corruption is a primary responsibility of management and staff at all levels and requested all staff members to familiarize themselves with the contents of the Framework. In addition, an anti-fraud pamphlet was distributed that emphasized the zero-tolerance approach, the responsibility of the United Nations to protect the anonymity of those reporting fraud, the obligation to report presumptive fraudulent acts, where to report such cases and the disciplinary actions that the Secretariat takes against staff involved in cases of fraud. • In addition, on 5 October 2016 the Secretary-General informed all staff members in the Secretariat of the promulgation of the Framework and its purpose and requested them to make every effort to promote the highest ethical standards for the United Nations. At the implementation stage: • Common definition of fraud and presumptive fraud in the United Nations system: to comply with the provisions of General Assembly resolution 70/255, the High-level Committee on Management has put together a task force whose main objective is to work towards a single agreed definition across the United Nations system of what constitutes fraud and suspected or presumptive fraud. The task force, consisting of members from across the entire United Nations system is co-chaired by the United Nations Secretariat and the Office of the United Nations High Commissioner for Refugees.				

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			• Implementing partners: the Secretariat is also working on establishing a legal framework for working with implementing partners. • Secretariat-wide fraud risk assessment: in addition, the Secretariat is at the early stages of planning for a high-level, top-down Secretariat-wide fraud risk assessment. This study, which is planned to be finalized by mid-2017, will be based on tailored enterprise risk management techniques and aligned with the overall enterprise risk management framework of the Organization. • Statement of internal control: the anti-fraud risk assessment will contribute to the assurance process underpinning the statement on internal control covering one of the underlying principles of an effective internal control framework. The Board should also be aware that the Secretariat is in the process of carrying out a comprehensive fraud risk assessment. This exercise is being conducted by the enterprise risk management function established in the Office of the Under-Secretary-General for Management and an outside expert. The fraud risk assessment is applying tailored enterprise risk management techniques with a strategic top-down high level view, under the overall guidance of a dedicated advisory committee comprised of experts representing all the functional areas of the Organization, and co-chaired by representatives from the Office of the Under-Secretary-General for Management and the Office of Programme Planning, Budget and Accounts . The completion of this assessment will guide the Organization's future efforts in this area.				

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60	A/70/5 (Vol. I), chap. II, para. 136	The Board recommended that the Administration review the United Nations Procurement Manual and associated guidance material to clarify t! circumstances in which delegated authority can be exercised and to indicate the criteria to be applied to determine when issues should be referred to a higher body.	The Administration reviewed the recommendation with a view to issuing guidance as appropriate on contract amendments. It became apparent, however, that the most relevant document in which such guidance should be included is the document processing authority attached to the delegation of procurement authority granted by the Assistant Secretary-General for Central Support Services, which is referenced in the Procurement Manual and provided to all buyers. Accordingly, on 14 August 2015 the document processing authority for the Procurement Division was revised to clarify how to process contract/purchase order amendments based on the nature of the amendment itself. The document processing authority for the Department of Field Support is being updated accordingly.	The findings related to the Procurement Division. The document processing authority has been updated, and thus the recommendation is considered implemented.	X			
61	A/70/5 (Vol. I), chap. II, para. 138	The Board recommended that: (a) procedures be stipulated to ensure greater coordination between the Department of Field Support and the Procurement Division in the chartering of aircraft so as to obviate the possibilities of engaging aircraft in excess of requirements or those that do not conform to technical specifications; (b) the process of technical evaluation of proposals be strengthened; (c) such procedures should include an effective post-contract technical confirmation of the technical compliance of the aircraft provided by the vendor with the	The Administration accepts this recommendation, but wishes to note that the matters raised by the Board are technical aviation issues relating to peacekeeping operations, which would be addressed more appropriately in volume II of the Board's report. (a) The Air Transport Section in the Department of Field Support and the Procurement Division are working in close coordination when procuring long-term air charter services. The recently introduced request for proposal solicitation method, which is built upon logistical requirements based on historical data and projected variations, is meant to ensure that the aircraft capacity procured by the Organization does not exceed the actual requirements, while allowing for upward and downward flexibility. (b) and (c). The technical evaluation of bids/proposals by the Department of Field Support is a desktop process based on vendors' submissions, however the contractual aircraft	The Board takes note of the statement. Furthermore, it sees in the shift from invitations to bid to requests for proposals a major change in the solicitation of air charter services. In the Board's view, it may help to improve the quality of such solicitations. The Board encourages the Administration to use this method for future solicitations. The Board considers this recommendation as overtaken by events.				X

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		specifications stipulated in the bid documents; and (d) an accountability mechanism be put in place to ensure that contract actions are initiated only after adequate planning with reference to mandate, strategy and technical specifications.	acceptance is subject to a systematic on-site inspection upon arrival in the mission area. If the United Nations identifies discrepancies/findings, it may reject the aircraft outright or accept it subject to a corrective actions plan, depending on the nature and gravity of the finding. On occasion, the United Nations has refused to release aircraft for operations upon initial inspection due to discrepancies with the contractual requirements. (d) The Air Transport Section is responsible and accountable for planning and specifying aviation requirements in accordance with missions' mandates and strategies. All contract actions taken by the Procurement Division are done so upon formal request or concurrence by the Section.					
62	A/70/5 (Vol. I), chap. II, para. 142	The Board recommended that the Administration continue to enhance its procurement and contract management capability by continuing its efforts to develop a career path for procurement professionals. This should include further training and other avenues, for example outward secondments, and the continued recruitment of procurement professionals.	The Office of Central Support Services and the Department of Field Support have introduced a policy mandating completion of the contract management course by all staff members who perform contract management functions. Compliance is monitored by the Department of Field Support. The Office of Human Resources Management stated it was reviewing the feasibility of making this programme mandatory for staff members with contract management responsibilities in the United Nations Secretariat. The review was expected to be completed by the fourth quarter of 2017. For staff members holding a delegation of procurement authority, completion of the procurement courses in the online procurement training campus is mandatory. Furthermore, subject to funding, the Secretariat will continue to enrol staff in a range of procurement certification courses. For instance, as at January 2017, 15 additional procurement professionals of the Secretariat received diplomas from the Chartered Institute of Purchasing and Supply.	The recommendation remains under implementation.		X		

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			The Office of Central Support Services is holding discussions with the Office of Human Resources Management on: (a) moving procurement officers from the Management and Administration Network for the managed mobility exercise to the Logistics, Transportation and Supply Chain Network; and (b) establishing procurement as a distinct job network for the young professionals programme. Additionally, the Office of Central Support Services is exploring other options with the Office of Human Resources Management, including the possibility of exchange programmes with other United Nations entities.					
63	A/70/5 (Vol. I), chap. II, para. 169	The Board recommended that the Department of Political Affairs work with all involved entities to develop a target operating model for the provision of support to all special political missions that clearly defines roles and responsibilities, the resources required and how performance would be measured.	Beyond the service level agreement that the Department of Political Affairs has agreed upon with the Department of Field Support, the Department of Political Affairs, in coordination with relevant departments as deemed necessary, has issued a number of guidance documents to provide instructions to staff and managers in different aspects of their interaction with and support of special political missions. These include a special political missions start-up manual, Headquarters support to special political missions guidelines for desk officers; guidelines on strategic assessment; in-briefing and debriefing of senior leaders and special envoys; an integrated assessment and planning handbook; guidelines on mission concept; and guidance on United Nations police in peacekeeping operations and special political missions. A number of policies, guidelines and standard operating procedures address specific aspects of activities and support provided to special political missions, from security for United Nations personnel, assets and premises to electoral assistance and mediation.	While noting the actions initiated by the Administration, the Board considers the recommendation to be under implementation.		X		

Serial No.	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Status after verification*			
					Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
64	A/70/5 (Vol. I), chap. II, para. 178	The Board recommended that the Administration strengthen its efforts to monitor and enforce compliance with the 16-day advance purchase rule by special political missions, including by developing a suite of management information reports that provide key information on the date of ticket purchases, the class of travel and the cost of flights.	Implemented. In January 2017, the Office of Central Support Services published an advance purchase policy compliance business intelligence report that enables offices using Umoja to monitor and report on their compliance. Moreover, the report breaks down the business process into the distinct steps for each travel type so that for low compliance offices, managers can determine where in the business process the bottlenecks are occurring. Accordingly, the Office expects departments to monitor their compliance with the 16-day advance purchase policy. For the Department of Field Support, until the deployment of cluster 5 for travel, most of the travel volume in the Department will be processed using the legacy system, so they will need to monitor and report using the legacy system in conjunction with travel that is processed through Umoja.	The Board considered the response of the Administration and noted that further work is needed for the full implementation of the recommendation. Hence, the recommendation is considered as under implementation.		X		
65	A/70/5 (Vol. I), chap. II, para. 184	The Board recommended that the Administration develop a range of financial performance indicators for measuring and reporting travel costs and compliance with the 16-day advance purchase rule, which will promote greater cost-consciousness and compliance with travel policies.	Implemented. In January 2017, the Office of Central Support Services published an advance purchase policy compliance business intelligence report that enables offices using Umoja to monitor and report on their compliance. Moreover, the report breaks down the business process into the distinct steps for each travel type so that for low compliance offices, managers can determine where in the business process the bottlenecks are occurring. In addition, other business intelligence reports have been published related to productivity, travel volumes and reports which support travel finance closure activities (e.g. trips pending cancellation, trips with missing expense reports). In addition, the Office continues to work with the Office of Information and Communications Technology in testing newly developed key performance indicator dashboards.	The Board acknowledges the response of the Administration and considers this recommendation implemented.	X			

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					Fully implemented	Under implementation	Not implemented	Overtaken by events
66	A/70/5 (Vol. I), chap. II, para. 197	The Board recommended that the Administration establish a formal approach to managing and improving operations to enable continuous reform and improvement in departments.	The Administration considers this recommendation implemented as there are many structures used by the Secretariat to manage the organization's operations as well as formal organizational improvements. At the highest level, there is the Management Committee. One of its key functions is to consider internal reform and management-related initiatives and issues, including change management processes, requiring strategic direction from the Secretary-General (ST/SGB/2011/3). In addition, the Secretariat manages its programme of reforms and improvements through: steering committees (i.e. for Umoja; ICT, global service delivery model, IPSAS, etc.); panels and working groups; etc. It has also been making an effective use of enterprise risk management and the identification of organizational synchronization and transformation initiatives as major risks, to feed this information into these committees in order to mitigate the risks that have been identified at this level. Further down the line, there are the so-called project and process owners, who are responsible for these improvement initiatives (or for part of the processes involved therein) and accountability systems are established through the senior manager's compacts. These aspects of the formal approach to management are reinforced, at a lower level, by staff development plans, formally reviewed and approved by the Management Committee, which are designed and executed in conjunction by the Office of Human Resources Management and the United Nations System Staff College. These are the main structures used by the Administration to manage the Organization's operations as well as formal organizational improvement.	While continuous reform and improvements in departments are an ongoing process, a formal approach to the same would streamline this. While acknowledging the response of the Administration, the Board considers this recommendation to be under implementation.		X		

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67	A/70/5 (Vol. I), chap. II, para. 199	The Board recommended that the Administration urgently enhance its capability to coordinate ongoing transformation projects.	The main transformation projects have been implemented under the leadership of the Under Secretary-General for Management and the overall supervision of steering committees and the Management Committee. The Under-Secretary-General is also the corporate risk owner and has designed a detailed implementation chart that puts the schedule of the implementation of these main initiatives together in order to identify possible overlaps, duplications and/or shortcomings. A risk treatment plan to mitigate the derived risks is in place and is continuously reviewed by the project owner. The successful implementation of Umoja, IPSAS and the capital master plan can attest to the effectiveness of this approach.	Although progress has been made in the Administration's ability to manage major projects, the Board noted that more needs to be done to ensure that the ongoing transformation projects like Umoja Extension 2 are delivered within time and cost. This recommendation is, therefore, considered to be under implementation.		X		
68	A/69/5 (Vol. I), chap. II, para. 29	The Board recommended that the Administration establish how and under what time frame it would be able to more closely link budget consumption with what has been delivered in terms of outputs and outcomes; and with this aim in mind, set out a detailed plan for embedding results-based management as part of business as usual, defining clear responsibilities and resources.	The Office of Programme Planning, Budget and Accounts confirms its prior response to this recommendation. In April 2015, the Office of Programme Planning, Budget and Accounts had stated that the current budget format provides results-based costing at the subprogramme level. In addition, for specific projects across the Secretariat, costing is often provided at a more detailed level. The level of costing, therefore, is adjusted to the specific needs of the respective decision-making process. The Secretariat therefore requests that this recommendation be closed by the Board.	The response does not address the issue of linking budget consumption with proposed outputs and outcomes. The Board considers this recommendation as not implemented.			X	
69	A/69/5 (Vol. I), chap. II, para. 36	The Board recommended that the Management Committee assess whether it has the tools and capabilities to support it in managing the organizational improvement programme, and that it devise a plan to address any gaps.	The role of the Management Committee is defined in ST/SGB/2011/3. For addressing its strategic role established therein, it is believed that the Management Committee does have the necessary tools and capabilities to oversee the organizational improvement programme, as it is composed of experienced and capable managers at the highest levels of the Organization. The Committee does not manage the day-to-day	In view of the current response of the Administration, the Board considers the recommendation implemented.	X			

Serial No	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification: Fully implemented	Under implementation	Not implemented	Overtaken by events
			operational aspects of the individual transformational projects, as these have their respective project teams and individual steering/governance committees, which in turn report to the Management Committee on a periodic basis for strategic guidance.					
70	A/69/5 (Vol. I), chap. II, para. 44	The Board recommended that the Administration develop plans for the production of monthly management accounts and improved financial reports to management, drawing on the opportunities being provided by IPSAS and the new enterprise resource planning system.	The Administration informs that it has taken another major step towards the production of monthly management accounts and improved financial reports to management by developing an automated process for the production of the financial statements. In the meantime, the Administration continues to provide regular financial management updates to the Management Committee, supported by improved reporting via the Umoja business intelligence module. The Administration plans to introduce in 2018 more frequent reporting to senior managers and is currently exploring the scope of the management accounts and the level of detail to be included in the reporting package. Considerations that could affect monthly management accounts preparation are year-end accruals and adjusting entries, actuarially determined liabilities, and other year-end specific tasks and the extent of bringing such information into more frequent management accounts and eventually monthly accounts.	The Board noted the Administration's response. However, the Board has yet to see the production of monthly management accounts. This recommendation is therefore considered under implementation.		X		
71	A/69/5 (Vol. I), chap. II, para. 48	The Board recommended that the Administration, as part of its work on enterprise risk management, develop a strategy to enhance the accountability and internal control framework, including the development of a "statement on internal control" or equivalent document. This replaces the Board's	The Administration informs the Board that it has deployed a plan that targets a pilot statement of internal controls to be produced with the 2017 financial statements for peacekeeping operations. The approach to the statement, as endorsed by the Management Committee, will be based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework and to date a team has been formed to implement the plan; the team has been trained and the Management Committee and the Independent Audit Advisory Committee have been briefed.	The Board noted that no evidence of any progress having been made in this regard has been shared by the Administration. On this basis, this recommendation is viewed as not implemented.			X	

Serial No.	*Report reference*	*Recommendation of the Board*	*Administration's response*	*Board's assessment*	*Status after verification*			
					Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
		previous recommendation on internal control (A/67/5 (Vol. I), chap. II, para. 171).	Furthermore, the internal controls objectives have been articulated by the Controller and endorsed by the Management Committee. The Administration made further progress in implementing a statement on internal controls. Plans envision that it will be based on an organization-wide assurance process supported by self-assessment checklists and training (in-person, videoconference and communication material) for all entities. COSO principles will be translated into the United Nations context for assessing internal controls in a structured and harmonized way against the set internal control objectives. Change management efforts which appear more challenging than initially expected, Umoja-related work taking priority in 2016, and additional integration points with other initiatives like enterprise risk management and anti-fraud initiatives led to changes in the implementation plan. Rather than doing a pilot statement of internal controls, a series of workshops will be conducted in 2017 with selected peacekeeping and non-peacekeeping entities to identify the right control mix and to refine internal controls and potential required assurances. In addition, various venues will be used for engagement with senior managers. All efforts are geared to foster understanding of concepts, of the envisaged process and of supporting tools, with a view to developing meaningful content and input. Estimated timelines for implementation are financial year 2017/18 for peacekeeping and financial year 2018 for non-peacekeeping. However, ongoing management reform initiatives by the new Secretary-General and the global service delivery model will affect the envisaged assurance process, internal control responsibilities and timelines. Such an impact will be taken into account once related decisions on the way forward have been communicated by the Secretary-General.					

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72	A/69/5 (Vol. I), chap. II, para. 56	The Board recommended that the Administration develop a deeper understanding of its cost base and therefore the capability to compare and benchmark its administrative overheads and the performance of its business functions to drive more cost-effective delivery. This might entail creating a general ledger of analysis codes for administrative and programme expenditure (and classifying each transaction to the appropriate code).	Umoja already enables better understanding of the cost base of the Organization's support services. The implementation of this recommendation should be seen in the context of the Administration's response to newer recommendations on cost issues. With the implementation of Umoja, the Secretariat has started the process of developing a standardized consolidated catalogue for the costs of services it provides. Once the standardization is complete the Secretariat should be able to compare the cost of providing services across the United Nations Secretariat and identify areas of opportunity to capture efficiencies.	The Board has still not seen any evidence that the information in Umoja is being used to compare and benchmark administrative overheads and the performance of its business functions to drive more cost-effective delivery. The Board considers this recommendation not implemented.			X	
73	A/69/5 (Vol. I), chap. II, para. 77	The Board also recommended that the Administration perform a review of the budget process and implement an improved end-to-end budget process, including the information and communications technology elements of Umoja Extension 2.	The budget formulation project is now under way as part of Umoja Extension 2. The Administration is also reviewing the budget processes for potential improvements as a follow-up to the recommendations in the report of the High-level Panel on Peace Operations.	The Board noted the Administration's response and considers this recommendation under implementation.		X		
74	A/69/5 (Vol. I), chap. II, para. 103	The Board recommended that the Office for the Coordination of Humanitarian Affairs require clusters and technical review boards to strengthen the consideration of previous project and implementing partner performance when recommending a project for	Implementation of this recommendation is in progress and planned to be completed by the end of 2017, as per the target date. The performance index module for country-based pooled funds is now developed in the grant management system and is currently being piloted, with its full roll-out targeted by the end of 2017. In line with the Board's additional comments on monitoring, the Office for the Coordination of	The Board noted the actions initiated by the Administration for the implementation of the recommendations and considers this recommendation under implementation.		X		

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		approval by the humanitarian coordinator. This should include an assessment of: • The non-governmental organizations concerned, including past delivery performance across United Nations entities, and due diligence on the company and key individuals • The type of project, including the likelihood of successful delivery of the intended benefits, for example distribution of cash vouchers (high risk) versus construction (lower risk) • The location of the project and the ability to monitor progress.	Humanitarian Affairs has developed and shared different tools and mechanisms for monitoring in different contexts. These are identified at the time of planning monitoring missions. With the initiation and roll-out of the dashboard in the internal business intelligence module in the grant management system in 2017, management in the field and at Headquarters will be able to gain an overview of planned and undertaken monitoring activities in real-time. The full roll-out of this feature is targeted by December 2017. The Funding Coordination Section will closely monitor compliance of country-based pooled funds with monitoring plans and review results quarterly in 2017.					
75	A/69/5 (Vol. I), chap. II, para. 114	The Board recommended that the Office for the Coordination of Humanitarian Affairs work with other United Nations entities to establish formal requirements for information-sharing on the performance of implementing partners in each country office.	To improve and share monitoring systems, a workshop was held in the second quarter of 2016 on monitoring in high-risk environments, which brought together fund managers and staff to discuss the way forward and best practices in monitoring methodologies. Consultations with fund managers highlighted that many country-based pooled funds face significant challenges in implementing their monitoring plans in high-risk environments, and the Office for the Coordination of Humanitarian Affairs has committed to increase support in this area. As indicated above, the Office has developed a dashboard to support fund managers and Office headquarters to capture planned and completed monitoring activities.	The Board takes note of the action taken and that the Administration targets to implement this recommendation by end 2017. The recommendation is considered to be under implementation.		X		

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76	A/69/5 (Vol. I), chap. II, para. 125	The Board recommended that the Office for the Coordination of Humanitarian Affairs accelerate implementation of the improved controls established in the global guidance and accountability framework. This should be done with a more risk-based and flexible approach to the management of implementing partners in country operations involving: (a) risk assessments to vet implementing partners to create a pool of trusted suppliers; (b) revised funding arrangements where high-risk implementing partners receive an initial payment lower than the current initial 80 per cent payment; (c) enhanced monitoring arrangements where, for example, high-risk projects should be subject to interim audits/inspections using audit access rights, while monitoring of lower-risk projects could be based on visits from regional staff; (d) working with the Office of Legal Affairs to strengthen the current memorandum of understanding between the Office for the Coordination of Humanitarian Affairs and implementing partners.	With regard to part (a) of the recommendation, as noted above, a capacity assessment tool with standardized categories and standardized weighting was introduced by the Office for the Coordination of Humanitarian Affairs in September 2016. The scoring of non-governmental organizations allows a common application of assessed categories for potential partners such as financial, programmatic, technical, etc. Regarding parts (b) and (d) of the recommendation, funding arrangements and the grant agreements have been revised and the operational modalities have been rolled out across all of the funds. The Office has made good progress on monitoring and the roll-out of systems to ensure compliance, and will address the concerns noted by the Board and fully implement the recommendation by December 2017. The Administration acknowledges that continued progress must be made to fully implement part (c) of the recommendation on monitoring and to ensure that all data are systematically available to improve tracking and compliance.	The Board noted that the Administration has initiated a dashboard in the grant management system. The Board also noted the assurance of the management to roll out the further developments by end 2017. The recommendation is considered as under implementation.		X		

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77	A/69/5 (Vol. I), chap. II, para. 136	The Board recommended that the Administration raise awareness of fraud risks by establishing a clear code of conduct (recognizing that a code of conduct includes requirements wider than fraud), reinforced through regular communication of fraud issues and through mandatory training courses for all staff.	Implemented. With respect to the code of conduct the Administration would bring to the attention of the auditors its prior response concerning this matter; whereby the foundational documents of the Organization appropriately address conduct of staff members: (a) The Charter of the United Nations, which sets out principles in this area. (b) The aspirational standards of conduct for the international civil service drafted by the International Civil Service Advisory Board in 1954 and reissued by the International Civil Service Commission (ICSC) twice, the last time in July 2013, and which were endorsed by the General Assembly in its resolution 67/257. (c) The Secretary-General's bulletins containing the enforceable Staff Regulations of the United Nations and Staff Rules that embody the fundamental conditions of service and the basic rights, duties and obligations of the United Nations Secretariat and which embed the Secretariat's codes of conduct (ST/SGB/2014/2, and ST/SGB/2014/1), and (d) the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25) issued in September 2016, to assist the Secretariat in promoting a culture of integrity and honesty within the Organization by providing guidance and information to staff members and other United Nations Secretariat personnel on how the Secretariat acts to prevent, detect, deter, respond to and report on fraud and corruption. These documents contain the general guiding principles, aspirational standards and enforceable regulations and rules with respect to the conduct of staff members within the Organization. In order to ensure that these general guiding principles, regulations and rules are clearly and unambiguously communicated to all staff members with respect to more specific matters such as fraud, management and the	The Board awaits further progress in conducting training courses on fraud awareness and on the results of the fraud risk assessment. The recommendation remains under implementation.		X		

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			Ethics Office are issuing and updating two complementary documents that will be available to all staff and that will be part of fraud awareness initiatives to be implemented, including the ethics training courses. Ethics Office: Following the issuance of ST/IC/2016/25 (Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat), the Ethics Office has launched an online course (developed with OIOS and the Department of Management) on preventing fraud and corruption at the United Nations (LMS-2506), available in Inspira. An application to the Office of Human Resources Management has been made for the course to be mandatory for all Secretariat staff. Outreach efforts in raising awareness of fraud risks are ongoing. The Ethics Guide ("Putting ethics to work"), which disseminates the Staff Regulations of the United Nations and Staff Rules that pertain to conduct and the 2013 ICSC standards of conduct (ST/SGB/2016/9), has been updated to include an anti-fraud section in English and French. Both versions are available on the Ethics Office website at: http://www.un.org/en/ethics/pdf/Attachment_2_EN_Putting%20Ethics%20to%20Work.pdf, and http://www.un.org/fr/ethics/pdf/PuttingEthicstoWorkWEBversion20170329.pdf. Translations into the remaining United Nations languages are ongoing. The Ethics Office uses outreach missions to raise awareness of the Framework. Office of the Under-Secretary-General for Management: In spite of the efforts that have been made, the Administration recognizes that these issues require sustained attention, including those that can be derived from the implementation of the anti-fraud risk assessment currently ongoing. The Administration will continue to reinforce the importance of these issues through regular communication and through mandatory training courses for all staff.				

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			This recommendation should be closed as implemented.					
78	A/69/5 (Vol. I), chap. II, para. 142	The Board recommended that the Administration conduct a comprehensive fraud risk assessment, using in-depth research in high-risk areas, to determine the Organization's vulnerabilities and exposure to risks of fraud from both internal and external sources.	The Administration is in the process of implementing a comprehensive fraud risk assessment as requested by the Board of Auditors.	The Board noted the response of the Administration and considers the recommendation to be under implementation.		X		
79	A/69/5 (Vol. I), chap. II, para. 143	The Board recommended that the Administration support the development of the Office of Internal Oversight Services as a central expert resource to support and work with departments to assess, analyse and act upon all significant fraud risks.	The Administration concurs with the Board and stands ready to support OIOS on this matter. ST/SGB/2002/7 on the organization of the Office of Internal Oversight Services delineates in section 7.2 that this a core function of OIOS: (d) Assessing the potential within programme areas for fraud and other violations through the analysis of systems of control in high-risk operations, as well as offices away from Headquarters, and making recommendations for corrective action to minimize the risk of commission of such violations. OIOS: The OIOS Internal Audit and Investigations Divisions are collaborating in the preparation of an integrated fraud risk assessment to ensure that all significant fraud risks identified through their work are captured, comprehensively assessed, and addressed in a timely manner. Once the institutional fraud risk assessment under development by the Department of Management is completed, OIOS will use the information generated as an input for the OIOS fraud risk assessment.	The Board noted the response and looks forward to an effective implementation of the Anti-Fraud and Anti-Corruption Framework. The Board therefore considers this recommendation as under implementation.		X		

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80	A/69/5 (Vol. I), chap. II, para. 147	The Board recommended that the Administration review and rationalize the current suite of policy and guidance material on fraud and other misconduct to provide staff and others with clarity over the correct procedures to follow when a fraud is discovered.	The Anti-Fraud and Anti-Corruption Framework for the United Nations Secretariat that was promulgated in September 2016 provides comprehensive information and guidance to United Nations staff, other categories of personnel and entities that have a contractual relationship with the Secretariat on how to prevent, recognize and address fraudulent acts. The document is ST/IC/2016/25 and it is posted on iSeek at: http://undocs.org/ST/IC/2016/25.	The Board noted that the framework repeats the plethora of existing guidance rather than rationalizing, clarifying or strengthening existing procedures in the integrated way the Board had envisaged when making its recommendations. The Board noted that the effectiveness of the Framework would depend upon the manner of its implementation. In view of the action taken, the Board considers this recommendation as under implementation.		X		
81	A/69/5 (Vol. I), chap. II, para. 148	The Board recommended that the Administration establish a central intake mechanism for all reporting of staff grievances and suspected fraud, allowing the cases to be properly screened and assessed and sent to the right part of the Organization for action and facilitating improved data collection.	Remains pending completion. OIOS continues to work with stakeholders in clarifying the concept, particularly with regard to fraud and presumptive fraud and will work to ensure that appropriate resources are available for implementation.	The Board noted that the central intake initiative has not yet moved forward. Accordingly, the Board considers this recommendation not implemented.			X	
82	A/69/5 (Vol. I), chap. II, para. 151	The Board recommended that the Administration develop a framework of actions and arrangements for the systematic legal pursuit of all proven cases of fraud.	Implemented. In cases where there are credible allegations of fraud, the Administration systemically pursues the matter with the relevant Member State(s). Notably, the Administration typically sends the underlying investigation report(s) on the alleged fraud to the relevant Member State(s) for their action and advises of the Organization's readiness to cooperate with any investigation/proceeding. The investigation report(s) generally comprises the evidence available to, and gathered by, the	The Board noted that the Administration has issued an Anti-Fraud and Anti-Corruption Framework. However, the Framework does not address the recommendation of the Board in its entirety. Hence, the recommendation is considered as under implementation.		X		

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			Administration. In the period between 1 January 2015 and 31 March 2017, the Administration took such action in 37 cases of alleged fraud. The Administration follows up, as appropriate, with the relevant Member State(s) to determine what action has been taken. With respect to the Board's comment that the Administration could take more direct action, in consultation with Member States, to refer evidence to local authorities, the Administration notes that, where feasible, this is already being done. However, the Administration notes that the course of action proposed by the Board is not always possible. For example, in many cases the Administration is not in a position to identify which local authority has jurisdiction to pursue credible allegations of fraud. This falls squarely within the prerogative of the Member State. Finally, and in relation to further engagement with Member States, the Administration notes that in the seventieth and seventy-first sessions of the General Assembly, at the request of the Sixth Committee, the Administration conducted informal briefings regarding the process of referring credible allegations to Member States, including possible improvements, and stands ready to continue to do so. The Administration is not in a position to go beyond the parameters and the processes set forth by the General Assembly in its resolutions on the criminal accountability of United Nations officials and experts on mission. In accordance with such parameters and processes, the Administration continues to refer credible allegations of criminal conduct, including fraud, to relevant Member States, and to follow up with such Member States to determine what, if any, action has been taken.				

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83	A/69/5 (Vol. I), chap. II, para. 155	The Board recommended that the Administration update and enhance its whistle-blowing policies and procedures to cover the risk of both internal and external wrongdoing.	Implemented. An updated policy was promulgated on 20 January 2017: see ST/SGB/2017/2 entitled "Protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations".	In view of the reply of the Administration, the Board considers this recommendation as implemented.	X			
84	A/69/5 (Vol. I), chap. II, para. 159	The Board recommended that the Administration develop an integrated strategic approach to tackling fraud, drawing on the many practical examples of good practice being adopted across the world and adapting these to the Organization's circumstances. The first step will be assessing and understanding the type and scale of fraud threats the United Nations is exposed to.	The Administration is in the process of conducting a comprehensive anti-fraud risk assessment that would allow it to understand the type and scale of fraud threats the United Nations is exposed to. Once this exercise is finalized, the Secretariat will be able to develop an integrated strategic approach to tackling fraud, drawing on good practice within and outside the United Nations system.	The Board noted the response of the Administration and considers this recommendation as under implementation.		X		
85	A/69/5 (Vol. I), chap. II, para. 164	The Board recommended that the Administration develop a medium- to long-term strategic workforce strategy and operational workforce plans. These should be informed by a review of the Organization's strategy that identifies any gaps in headcount, grades, knowledge and skills.	The Office of Human Resources Management has launched a workforce planning mainstreaming project aimed at standardizing the workforce planning methodology Secretariat-wide by providing training and guidance, as well as creating a community of practice, to empower entities to work on their plans individually. Upon completion of the mainstreaming, entities should have standardized but individual workforce plans aligned to the organizational strategy.	The Board noted the Administration's response and considers this recommendation as not implemented.			X	
86	A/69/5 (Vol. I), chap. II, para. 169	The Board recommended that the Administration establish performance measures of the effectiveness of the recruitment process around getting "the right person, with the right skills, to the	The recommended performance measures can be established only by evaluating the delivery of mandates. The rate of delivery of mandates is monitored and reported through the budget performance of the respective programmes. With respect to human resources management performance, new performance measures will be provided in the 2018-2019 strategic framework	The Board noted the Administration's response and sees that some measures are in place. However, the measures are not being achieved as has been brought out in the previous reports of the Board as well		X		

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		right position, at the right time and at the right cost".	to be reported upon. In addition, a number of strategic objectives of human resources management are monitored and reported through the human resources scorecard. The effectiveness measures for recruitment to the Organization focus on the organizational priorities; i.e. increased percentage of candidates selected from unrepresented and underrepresented Member States as well as increased percentage of women staff. Recently, the Organization has introduced additional performance measures to track performance with regard to increasing the proportion of staff in family duty stations appointed from non-family duty stations and vice versa. These are the performance measures contained in the Organization's strategic framework and these are the performance measures to which the Organization is held accountable. It is critical for the Organization to keep the focus on these priorities and measure the effectiveness of its recruitment process accordingly. In addition, the Organization also has performance measures on the timeliness of the hiring process.	as the current report. Hence, the recommendation is considered as under implementation.				
87	A/69/5 (Vol. I), chap. II, para. 170	The Board recommended that the Administration perform an end-to-end review of the recruitment process to identify opportunities to reduce the lead time to recruit from the point at which a vacancy occurs until the post is filled.	The first staffing exercise under the new staff selection system was completed and resulted in a reduction of the recruitment timelines compared with the current staff selection system. The post-specific job openings took about 180 days on average while recruit from roster job openings took about 65-70 days. The Secretariat is continuing to keep track of the timeline in the second and subsequent exercises. However, there is room for improvements, and in order to respond to the request of the General Assembly at its seventy-first session that the Secretary-General submit a comprehensive strategy aimed at achieving the 120-day target for recruitment set by the Assembly, the Secretariat is further reviewing areas that can be streamlined to achieve the 120-day target.	The Board noted the Administration's response and finds that the changes required have been identified but they are yet to be implemented. Hence, the Board considers this recommendation to be under implementation.		X		

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			The Organization has performed an end to end review of the recruitment process and identified opportunities to reduce the cycle time. A number of changes to the recruitment process under the new staff selection system address delays. Further opportunities have been identified and are proposed for changes under the Secretary-General's current reform agenda.					
88	A/69/5 (Vol. I), chap. II, para. 177	The Board recommended that the Administration develop a skills strategy for staff based on an improved understanding of current capability and existing skills gaps such as commercial skills for major projects, and on the skills required following the implementation of IPSAS and the roll-out of Umoja, such as professional training in financial management skills to lead financial management improvement and provide more strategic advisory services to the wider business.	In support of the learning and career support strategy, the Office of Human Resources Management will undertake a comprehensive training needs assessment in 2017, to ensure that learning offerings and modalities continue to address the needs of the Organization to deliver on its mandates. It is expected that the training needs assessment will provide overall direction and concrete input to support the 2018-2019 strategic framework deliverables.	The Board noted the Administration's response and considers this recommendation to be under implementation.		X		
89	A/69/5 (Vol. I), chap. II, para. 184	The Board recommended that the Administration review and improve the appraisal system to enable more effective monitoring of performance trends and implementation of remedial action or rewards following completion of staff performance evaluations.	The Office of Human Resources Management reviewed and improved the appraisal system in 2015-2016. The system changes, including the new dashboards in the human resources Insight platform, have resulted in enhanced monitoring of performance trends such as rating distribution and compliance statistics. Additionally, the Inspira learning management system has increased its capacity to deliver more reliable data on performance management training. The Office has also reviewed and improved its monitoring of the implementation of remedial actions. This is done primarily through online surveys to the human resources staff and	The Board considered the reply of the Administration and considers the recommendation to be implemented.	X			

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			executive offices and through Umoja business intelligence. The Administration considers this recommendation to be fully implemented. It should be noted that there is no formal reward system linked directly to the performance management system. However, ICSC has been mandated to work on a non-financial reward scheme. The Office welcomes the discussions within ICSC and the General Assembly on performance incentives and is ready to implement future decisions of the Assembly in this respect.					
90	A/67/5 (Vol. I), chap. II, para. 95	The Board recommended that the Administration require all staff to have undertaken contract management training prior to taking up contract management responsibility. Such training should cover key aspects of contract management such as contract administration, vendor relationship management, risk management, and performance evaluation and management.	The Office of Central Support Services will continue to urge departments to ensure that contract management training is undertaken by all relevant staff and will coordinate with the relevant offices and the Management Committee to require contract management training to be made mandatory for all contract managers, as recommended by the Board.	The training of requisitioning departments is being discussed under the recommendation of the report of the Board for the year ended 31 December 2014, paragraph 142. The recommendation is treated as overtaken by events.				X
91	A/67/5 (Vol. I), chap. II, para. 130	The Board recommended that the Department of Management review the delegations granted to the United Nations Office at Vienna and the United Nations Office at Geneva, to ensure that delegated procurement authority is sufficiently clear.	The review of delegations of authority granted to the United Nations Office at Vienna and the United Nations Office at Geneva is still in progress and will be resolved in the context of the global service delivery model.	In view of the reply of the Administration, the recommendation is considered to be under implementation.		X		

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92	A/67/5 (Vol. I), chap. II, para. 145	The Board recommended that the Administration: (a) develop more outcome-focused objectives and indicators of achievement; (b) establish clear chains from indicators of resource use and activity, through indicators of output to achievement of high-level objectives; and (c) make parts (a) and (b) above a clearly articulated responsibility of the Under-Secretaries-General for their respective departments.	The Committee for Programme and Coordination endorsed the proposals of the Administration in this regard. See A/70/16 and General Assembly resolution 70/8 adopting the recommendations of the Committee.	The Board noted the progress made with improvements to the strategic frameworks. Five departments will use the new approach for the biennium 2018-2019 and it will take several bienniums for the remainder of the Secretariat (see A/70/668, para. 18). The recommendation is, hence, considered to be under implementation.		X		
93	A/65/5 (Vol. I), chap. II, para. 25	The Board recommended that the Administration: (a) plan for the automated preparation of the financial statements under Umoja; and (b) without waiting for the implementation of Umoja, enhance internal documentation on the preparation of the financial statements and, more generally, on all financial procedures, notably by updating the Financial Manual.	Implemented. The financial statements module of Umoja is being used to prepare the 2016 financial statements for the Secretariat. It streamlines the financial statement preparation process and reinforces standardization, consistency, transparency, accountability and controls. Staff have been trained to use this new software and regular reviews are being conducted throughout the financial statement preparations for quality control. Subsequent to the audit, an updated version of the Finance and Budget Manual was released. Based on the above, the Administration requests that the recommendation be closed.	The Board noted that the 2016 volume I financial statements were issued through Umoja. The Board considers this recommendation as implemented.	X			
94	A/65/5 (Vol. I), chap. II, para. 62	The Board recommended that the Administration define a strategy to streamline and further automate the management of voluntary contributions, along the lines of the redesign of assessed contributions procedures.	Implemented. The Umoja grants module was fully deployed by November 2015. Since then, all the agreements signed are stored in Umoja by attaching to the respective grant master data and the billing process was fully automated. Upon award of a grant, a sales order is automatically generated and one click can generate the billing document. Based on the above, the Administration requests that the recommendation be closed.	The Board noted the response of the Administration and considers this recommendation as implemented.	X			

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95	A/65/5 (Vol. I), chap. II, para. 66	The Board recommended that the Administration develop indicators to measure the processing times for contributions.	Implemented. With the deployment of the Umoja grants module, all the voluntary contributions have a clear audit trail to keep track of dates of each donor agreement signed by both parties, billing date, billing due date and deposit receipt date. Furthermore, the bank statements are monitored daily to ensure timely application of incoming deposits against outstanding voluntary receivables.	The Board noted the response of the Administration and considers this recommendation as implemented.	X			
96	A/65/5 (Vol. I), chap. II, para. 160	The Board recommended that the Administration strengthen internal controls to ensure the accuracy of its payable and receivable balances with counterpart entities as at the end of the financial period.	As regards United Nations system receivables, monthly statements are sent to the entities for Headquarters outstanding receivables. By the end of January or beginning of February, the December statement is submitted to the agencies with all pending receivable balances. The agencies acknowledge the receipt of the end of the year statement and contact the Secretariat for further clarification on the charges or additional supporting documentation if needed. The accuracy of the receivable balances at the end of the financial period is facilitated by the timely and continuing process of communication and verification with the counterparties through the monthly statements.	The Board noted that the system for confirming accounts payables at year-end with counterpart entities has not been shared with the Board. Therefore, this recommendation is considered as not implemented.			X	
97	A/65/5 (Vol. I), chap. II, para. 387	The Board recommended that the Administration draw up a schedule by which the staff members who have not taken the mandatory training programmes be obliged to do so in a close time limit (one year or 18 months), and that the effective implementation be verified.	Implemented. The deployment of the Inspira learning management system to the field missions has been completed as scheduled by end of 2016, making it easier to track compliance across the Secretariat. Each time a programme is added to the mandatory portfolio, all staff members receive an update with the information circular reminding them to complete the learning programmes within six months. The last information circular was issued in July 2016 and the Office of Human Resources Management expects to issue an updated information circular in mid-2017. To provide additional attention to the importance of ensuring compliance, staff members are reminded to complete their mandatory courses every time they login to Inspira.	The Board noted the response of the Administration and considers the recommendation as implemented.	X			

Serial No.	Report reference	Recommendation of the Board	Administration's response	Board's assessment	Status after verification			
					Fully implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
98	A/65/5 (Vol. I), chap. II, para. 437	The Board recommended that the Administration take appropriate measures to ensure that the "Carbon" project is interfaced with Umoja.	An assessment is currently under way. Department for General Assembly and Conference Management: The Department concurs with the Department of Management-Umoja response and will continue to collaborate closely with them on this recommendation.	The Board noted the Administration's response and views this recommendation as not implemented until there are concrete plans in place to design and implement the interface as described.			X	
Total					**17**	**66**	**10**	**5**
Percentage					**18**	**67**	**10**	**5**

Annex II

Status of implementation of recommendations up to the year ended 31 December 2015 (strategic heritage plan)

Serial No.	Audit report year	Paragraph reference	Recommendations of the Board	United Nations Office at Geneva response	Board's assessment	Status after verification			
						Implemented	*Under implementation*	*Overtaken by events*	*Not implemented*
1	2015	81 (a)	Monitor the implementation of various activities to minimize time overruns and take proactive remedial measures to meet project timelines without any dilution of the quality and scope of the project deliverables.	The Administration agrees with this recommendation. Actions in line with this recommendation have been under way over the course of the last year as part of the overall strategic heritage plan contract management framework. The strategic heritage plan team is closely monitoring the progress of the design contractor and taking proactive steps to ensure that the project timelines are met without loss of quality. The start of detailed design for the new building and the renovation were delayed to ensure that quality standards for the concept design were adhered to fully before moving to the next step in the process. To mitigate this delay, the new building detailed design was fast-tracked so that the design for the new building, which is on the schedule's critical path, could be started on 28 September 2015. Mitigation strategies to recover the schedule are being developed and appear to be achievable. The strategic heritage plan team has adopted mechanisms to monitor progress and ensure that design work at each prescribed stage of work is satisfactory. These mechanisms include, but are not limited to, maintaining a cost-loaded detailed project schedule using Primavera Project Planner software and convening meetings regularly at different levels to discuss the status of progress of ongoing deliverables and	The United Nations Office at Geneva and the strategic heritage plan team have undertaken several actions to minimize time overruns and have taken proactive measures to mitigate risks, e.g. the team implemented a mitigations and actions register; analysed different options for contracting strategies and decided to increase the scope of the current contract with the architects to include the full design services. The Board is of the opinion that this general recommendation can be considered as implemented. Nevertheless, we will continuously focus on the project's timeline, quality and scope within our audits. Our findings on delays of the project are reflected in this report.	X			

Serial No.	Audit report year	Paragraph reference	Recommendation of the Board	United Nations Office at Geneva response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
				review ongoing and upcoming milestones/submittals.					
2	2015	81 (b)	Expedite such activities as the development of project manuals, including change control, ensure the inclusion of security standards at the design stage itself and maintain a consultation process with all stakeholders to ensure a smooth transition.	The Administration agrees with this recommendation. Substantial progress has been made in all three areas over the last year. Given that the schedule for this project is aggressive, all aspects are being expedited, including the project manual, which is substantially complete, with the last remaining substantive section on change management now in its final stages. In addition, the development of the overall procurement strategy, which will also have an impact on the project manual, is currently in progress. The security standards that are available at this time and that are within the scope of the new and existing buildings have been included in the design and the budget. Extensive consultations with stakeholders have taken place over the last year and will continue during the entire length of the project.	The Administration has expedited activities as recommended, the recommendation can therefore be considered as implemented. Nevertheless, the project manual, called the programme manual, issued by the strategic heritage plan team is still a draft and incomplete (see separate audit finding and recommendation in this report). The Board will further monitor the development and implementation of the programme manual, the inclusion of security standards and the consultation process with all stakeholders.	X			
3	2015	81 (c)	Formulate specific risk mitigation plans for each identified risk area so that there is no impediment during the course of implementation of the project that compromises stipulated cost or timelines.	The Administration agrees with this recommendation. Specific actions in line with this recommendation have been under way over the last year and will continue to be implemented through the course of the project. Specific risk mitigation plans have either been developed or are being developed for all identified risks in the project risk register.	The strategic heritage plan team along with the risk management firm has developed a risk management strategy consisting of two elements: the risk analysis tool is being used for analysing risks according to their time and financial impacts; and a risk register provides specific actions related to each risk. The register is being discussed regularly and actions are being monitored.	X			

Serial No.	Audit report year	Paragraph reference	Recommendations of the Board	United Nations Office at Geneva response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
4	2015	81 (d)	Refine and update the preliminary budget estimates on the basis of a standard schedule and proper analysis of rates with reference to standardized pricing books and established industry guidelines set by internationally recognized standard-setting bodies with enhancement for local conditions, as necessary.	The Administration agrees in part with this recommendation and offers the following clarification. Management has hired a professional cost consultant who, in line with industry guidelines and best practices, has developed a comprehensive project cost estimate using actual pricing data from recent nearby projects. This consultant is working closely with the design team to understand the details of the designs being developed and is fully responsible for the quality of their work. While the consultant may refer to standardized pricing books on occasion, the estimate is based on cost data that is more accurate and relevant to this project and this location. Management has reviewed the current project estimate in detail and has gone through a number of cost optimization workshops and value engineering exercises with the consultant. Management is confident that the cost estimate in its current form provides a solid basis to move forward with the detailed design and provides the foundation for on-time and on-budget project delivery. Management maintains its view that professional cost estimation is the most appropriate methodology for a project of this size and complexity, and continues to refine and update the cost estimates during the design development process accordingly.	The Board examined the current detailed cost plan and looked at the refined costs. The approximate quantities cost plan attempted to measure defined quantities from drawings. The Board noted that the cost plan was updated and accurately prepared. The cost plan presented a more accurate picture of where costs are distributed. In effect, the strategic heritage plan team now has a priced approximate bill of quantities. Therefore, the recommendation can be closed. The Board will further review the costs of the project in our audits.			X	

Serial No.	Audit report year	Paragraph reference	Recommendations of the Board	United Nations Office at Geneva response	Board's assessment	Status after verification			
						Implemented	Under implementation	Overtaken by events	Not implemented
5	2015	81 (e)	Establish a more refined policy as to how inclusions and exclusions of projects funded by donations or voluntary contributions shall be given effect in the budget and cost estimates of the strategic heritage plan, particularly as the project enters the construction phase, and initiate steps to see how maintenance requirements would be funded after completion of the project.	The Administration agrees with this recommendation. Specific actions in line with this recommendation are already under way. A proposed donation policy has been included in section VI of the Secretary-General's second annual progress report on the strategic heritage plan (A/70/394). If approved by the General Assembly, this policy will be used as a framework to manage future donations that may help to offset project costs. Proposed donations will be managed on a case-by-case basis. For those that can be used to accomplish project scope, the works will be removed from the plan's scope and budget accordingly. Over time and as construction gets under way, potential donors will be guided towards donation projects that are not yet under construction to avoid delaying the overall works or creating confusion for the construction contractor. While a maintenance fund has been proposed as part of the donation policy, it has not yet been approved.	The General Assembly approved a donation policy provided by the Secretary-General (A/70/248). This donation policy provides a framework for the acceptance of voluntary contributions to the strategic heritage plan in compliance with the Financial Regulations and Rules. However, there is no detailed notice reflecting how inclusions and exclusions of projects funded by donations are to be given effect to the estimated cost for the whole project and the appropriation by Member States. The implementation of a maintenance fund is still in progress. The proposed link between the donation policy and a maintenance fund has not been accepted by the General Assembly. The effect of donations and voluntary contributions on the budget and cost estimates of strategic heritage plan and the development of a sustainable solution regarding the maintenance requirements will be further monitored by the Board.			X	
6	2015	81 (f)	Refine the terms of reference of the Advisory Board and the Steering Committee for clarity, with clear definition of their responsibilities and jurisdiction.	The Administration agrees with this recommendation and intends to continue to further refine the terms of reference of both the Advisory Board and the Steering Committee once the project is approved by the General Assembly and over time as the project moves from preliminary design into tendering and construction.	The terms of reference of the Steering Committee and of the Advisory Board have been adjusted in order to clarify their mandates, roles and responsibilities.		X		

Serial No.	*Audit report year*	*Paragraph reference*	*Recommendations of the Board*	*United Nations Office at Geneva response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Overtaken by events*	*Not implemented*
7	2015	81 (g)	Engage with both its own staff and clients to ensure that the project progresses without impediments and while causing minimum dislocation of essential services.	The Administration agrees with this recommendation. Stakeholder engagement is a core part of the strategic heritage plan management framework. Extensive consultations with stakeholders have taken place over the last year and will continue during the entire period of the project. Operational continuity is one of the primary objectives of the project and one of its most significant challenges.	The engagement process with stakeholders and the own staff of the Office is a continuous task. The Office has expedited its engagement activities (especially in regard to the change management process for the flexible workspace strategy). Therefore, this recommendation is considered as implemented keeping in mind that this is an ongoing process which the Board will further monitor.	X			
8	2015	81 (h)	Ensure adherence to the provisions of the Financial Regulations and Rules of the United Nations and the Procurement Manual to protect the interests of the Organization and minimize deviations therefrom. Where deviations are deemed necessary, there must be clear and transparent justification along with approval of the competent authorities.	The Administration agrees with this recommendation. Regarding the non-inclusion of liquidated damages, the Administration does not consider there to be a significant divergence between the procurement strategy and the adherence to the provisions of the Financial Regulations and Rules of the United Nations and the Procurement Manual. However, the Administration agrees with the Board about the need to ensure timely and satisfactory contractor performance, and best efforts will be made in applying the provisions of the Procurement Manual to protect the interests of the Organization.	The Board noted that the draft contracts for the enabling works package and the new permanent building include provisions for liquidated damages. Therefore, this recommendation is considered as implemented keeping in mind that compliance with the Financial Regulations and Rules of the United Nations and the Procurement Manual is an ongoing process which the Board will further monitor.	X			
Total			**8**			**6**		**2**	
Percentage			**100**			**75**		**25**	

Chapter III
Certification of the financial statements

Letter dated 31 March 2017 from the Assistant Secretary-General, Controller, addressed to the Chair of the United Nations Board of Auditors

The financial statements of the United Nations for the year ended 31 December 2016 have been prepared in accordance with rule 106.1 of the Financial Regulations and Rules of the United Nations. The statements cover all funds except peacekeeping operations, the United Nations Compensation Commission, the United Nations escrow account established under the provisions of Security Council resolution 1958 (2010) and the international tribunals, which are the subject of separate financial statements.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by the Organization during the period covered by these statements for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the United Nations, numbered I to V, are correct in all material respects.

(*Signed*) Bettina Tucci **Bartsiotas**
Assistant Secretary-General, Controller

Chapter IV
Financial report for the year ended 31 December 2016

A. Introduction

1. The Secretary-General has the honour to submit the financial report on the accounts of the United Nations for the year ended 31 December 2016.

2. The financial position and results presented herein do not include those of peacekeeping operations, the United Nations escrow account established under the provisions of Security Council resolution 1958 (2010), the United Nations Compensation Commission, the International Tribunal for the Former Yugoslavia, the International Criminal Tribunal for Rwanda and the International Residual Mechanism for Criminal Tribunals, which are reported on separately. Separate financial statements are also issued for the International Trade Centre, the United Nations University, the United Nations Institute for Training and Research, the United Nations Office on Drugs and Crime, the United Nations Environment Programme and the United Nations Human Settlements Programme.

3. The accounts of the Organization are presented in five financial statements and notes that provide financial information relating to the United Nations General Fund and related funds, trust funds, the Tax Equalization Fund, capital assets and construction in progress, end-of-service/post-employment benefits and other funds. Details of individual trust funds are not presented in these published accounts, but are available separately.

4. The present financial report is designed to be read in conjunction with the financial statements. It presents an overview of the consolidated position and performance of the Organization, highlighting trends and significant movements. The annex to the report provides supplementary information, including information to be reported to the Board of Auditors as required by the Financial Regulations and Rules of the United Nations.

5. Building on the new enterprise resource planning system, Umoja, which was used by the entire Organization for the first time in 2015, the business planning and consolidation add-on module of Umoja was used for the first time in 2016 to produce the financial statements and the note disclosures in respect of volume I.

B. International Public Sector Accounting Standards sustainability

6. This is the third year that the financial statements of the United Nations have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The Organization has put in place an IPSAS sustainability plan in which five major work pillars have been identified as critical for the sustainability of IPSAS, namely:

(a) IPSAS benefits management, which entails tracking and compiling IPSAS benefits and supporting the use of IPSAS-trigged information to better manage the Organization;

(b) Strengthening internal controls Organization-wide, in particular the controls that support financial accounting and reporting;

(c) Managing the IPSAS regulatory framework to implement changes in IPSAS standards and drive related changes to systems and processes, which entails monitoring and tracking the development of new/revised standards adopted by the IPSAS Board, as well as active participation in the formulation of standards and ensuring that the United Nations IPSAS policy framework is updated as necessary;

(d) Supporting the transition to Umoja as the system and book of record for IPSAS-compliant accounting and reporting, including the deployment of asset accounting in Umoja to field missions and automating the preparation of the financial statements in Umoja;

(e) Continued IPSAS training and the deployment of a skills strategy to support financial managers in the new IPSAS/Umoja environment.

C. Overview of the financial statements for the year ended 31 December 2016

7. The financial statements of the United Nations comprise five statements and notes to the financial statements. The five statements are the statement of financial position, the statement of financial performance, the statement of changes in net assets, the statement of cash flows and the statement of comparison of budget and actual amounts.

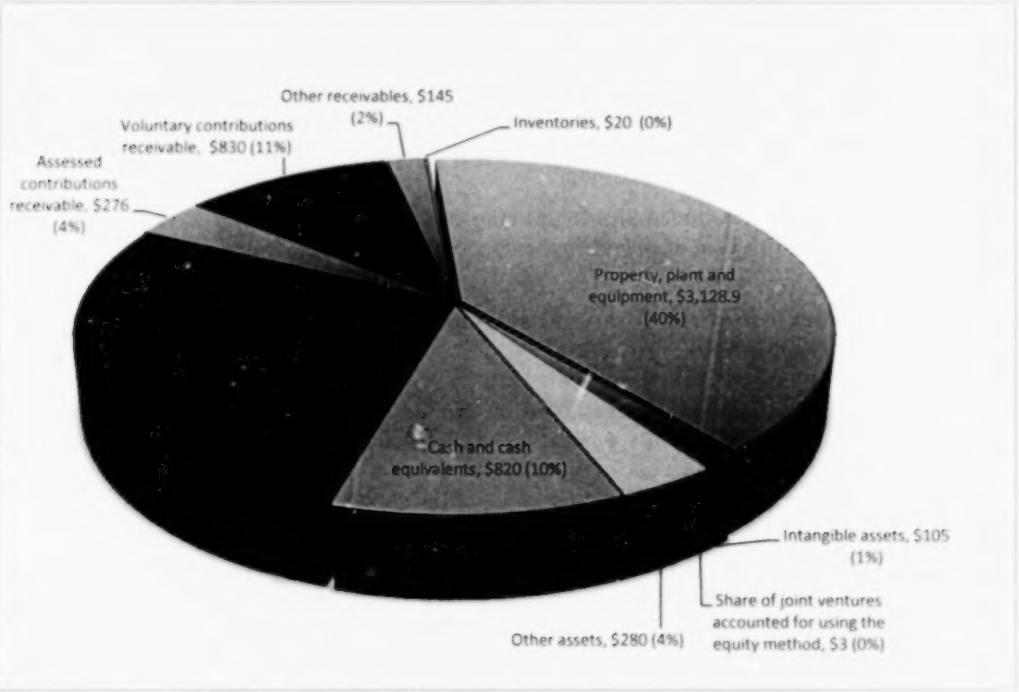
8. These statements show the financial results of the Organization's activities and its financial position as at 31 December 2016. The notes to the financial statements explain the accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Assets

9. The total assets of the Organization increased over the course of 2016 by $46.6 million (0.6 per cent increase) to $7,777.9 million, with the most notable increase taking place in cash and cash equivalents balances in an amount of $335.0 million (69.0 per cent increase) to $820.3 million, and balances of voluntary contributions receivable in an amount of $246.0 million (42.1 per cent increase) to $829.7 million. These were partially offset by a decrease in investments of $312.7 million (12.6 per cent decrease) to $2,170.0 million and assessed contributions receivable of $113.2 million (29.1 per cent decrease) to $276.1 million, compared with prior year balances.

10. Figure IV.I presents the structure of the Organization's assets totalling $7,777.9 million as at 31 December 2016.

Figure IV.I
Assets of the Organization as at 31 December 2016
(Millions of United States dollars and percentage)

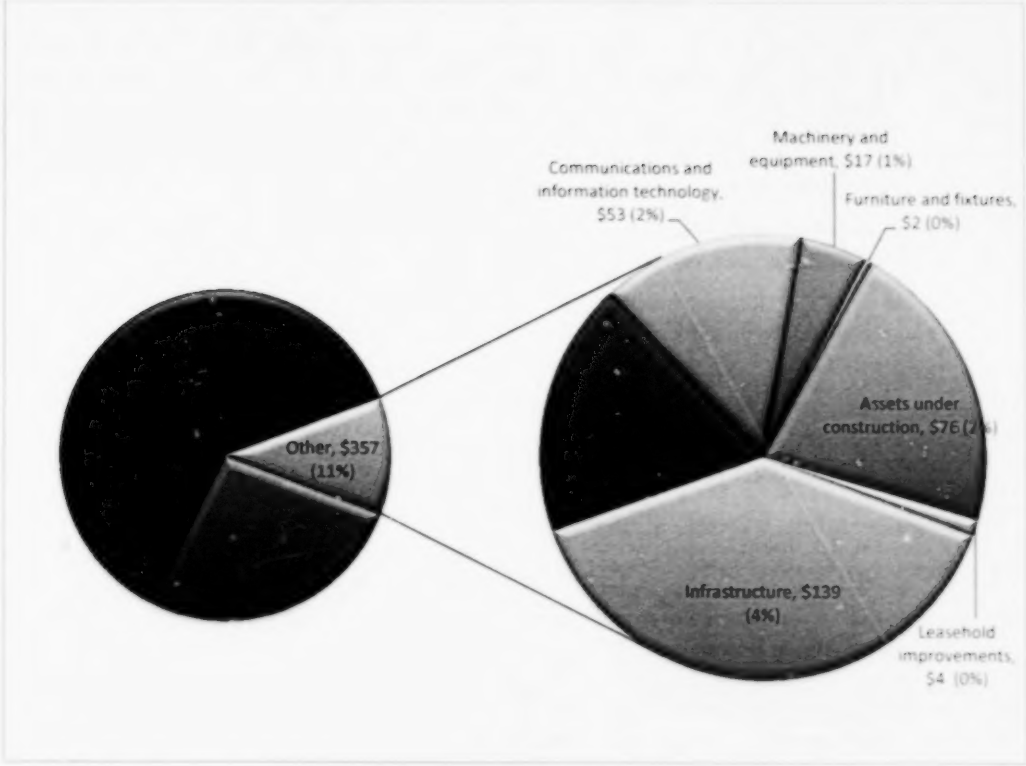

Other receivables, $145 (2%)
Inventories, $20 (0%)
Voluntary contributions receivable, $830 (11%)
Assessed contributions receivable, $276 (4%)
Property, plant and equipment, $3,128.9 (40%)
Cash and cash equivalents, $820 (10%)
Intangible assets, $105 (1%)
Share of joint ventures accounted for using the equity method, $3 (0%)
Other assets, $280 (4%)

11. As figure IV.I illustrates, the Organization's assets are composed largely of property, plant and equipment ($3,128.9 million, or 40.2 per cent), investments ($2,170.0 million, or 27.8 per cent), voluntary contributions receivable ($829.7 million, or 10.7 per cent), cash and cash equivalents ($820.3 million, or 10.5 per cent) and assessed contributions receivable ($276.1 million, or 3.6 per cent). Property, plant and equipment assets are mainly concentrated in capital assets and construction funds and consist mostly of land and buildings (88.7 per cent). Investments comprise trust fund investments of $1,093.9 million, amounts relating to insurance funds of $447.5 million, amounts relating to regular budget funds of $158.6 million and other investments of $469.9 million. Assessed contributions receivable of $276.1 million represents the outstanding balance receivable from Member States as at 31 December 2016. Voluntary contributions receivable of $829.7 million comprise mainly the receivables of trust funds.

Property, plant and equipment

12. Property, plant and equipment of $3,128.9 million was the Organization's major asset category at 40.2 per cent of total assets. At 31 December 2016, the profile of the Organization's property, plant and equipment, which mostly consists of land and buildings (88.7 per cent), was as shown in figure IV.II.

Figure IV.II
Property, plant and equipment
(Millions of United States dollars and percentage)


Machinery and equipment, $17 (1%)
Communications and information technology, $53 (2%)
Furniture and fixtures, $2 (0%)
Assets under construction, $76 (2%)
Other, $357 (11%)
Infrastructure, $139 (4%)
Leasehold improvements, $4 (0%)

13. Buildings of $1,936.5 million largely reflected the buildings at United Nations Headquarters in New York, valued at $1,366.7 million, the buildings at the United Nations Office at Geneva, valued at $149.7 million, and the buildings at the Economic Commission for Africa (ECA), valued at $86.6 million. Land valued at $835.7 million largely included the land at United Nations Headquarters and at the United Nations Office at Geneva amounting to $617.8 million and $191.7 million respectively. The land at ECA and at the United Nations Office at Nairobi were not included, as these assets were not deemed to be under the control of the Organization based on provisions in the arrangements with the respective Governments. The Vienna International Centre, which is controlled by the four Vienna-based organizations (the United Nations Office at Vienna, the International Atomic Energy Agency, the United Nations Industrial Development Organization and the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization), has been determined to be held under an arrangement similar to a finance lease and hence was capitalized in accordance with the principles of IPSAS 17 starting from 1 January 2015 and retrospectively restated in the 2014 financial statements. The last valuation was done by PricewaterhouseCoopers on 1 January 2015 and resulted in a depreciated replacement cost for buildings of €489.2 million ($596.6 million) and a net book value of €288.0 million ($351.2 million). Based on

the cost-sharing ratio agreed by the Vienna-based organizations, the United Nations has recognized its 22.761 per cent share of $135.8 million cost and $80.0 million net book value of the Vienna International Centre buildings as property, plant and equipment as at 1 January 2015.

14. There was no significant change in the net carrying value of property, plant and equipment during 2016 compared with 2015. The decline in the net book value by $87.3 million (2.7 per cent) from a balance of $3,216.1 million to $3,128.9 million was largely attributable to depreciation in an amount of $183.8 million and disposal of assets with total net book value of $3.5 million compared with additions of $100.0 million.

15. The major portion of additions during 2016 includes assets under construction of $72.4 million, related mainly to:

(a) Refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva ($43.4 million);

(b) Construction of security entrance booths at 42nd and 48th Streets and landscaping at United Nations Headquarters in New York ($15.9 million);

(c) Construction of buildings and infrastructure assets in the special political missions ($4.1 million);

(d) Upgrade of the electrical system at the United Nations Office at Nairobi ($2.3 million);

(e) Leasehold improvements under the blast mitigation project of ($2.5 million) for the Economic and Social Commission for Western Asia (ESCWA) building in Beirut.

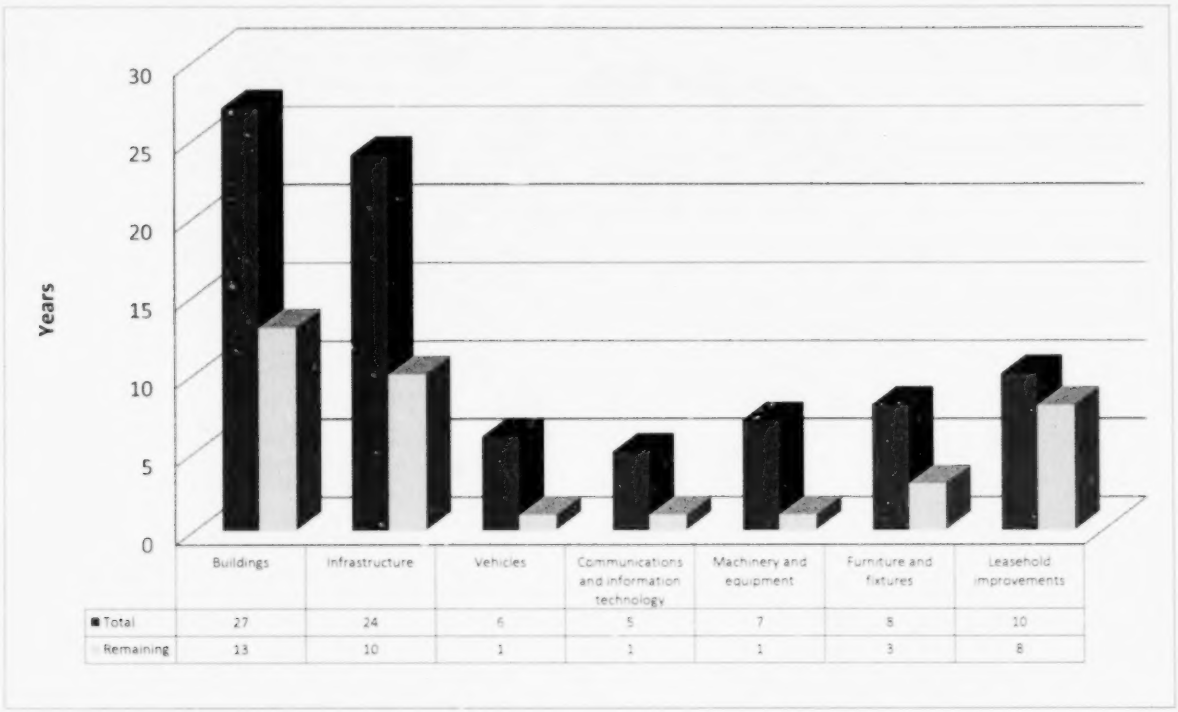
16. As at 31 December 2016, property, plant and equipment included assets under construction of $76.5 million, related primarily to $52.4 million for refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva, $15.9 million at United Nations Headquarters for the construction of security entrance booths at 42nd and 48th Streets and landscaping, buildings and infrastructure assets in special political missions of $3.3 million and renovation of Africa Hall at ECA in Addis Ababa of $2.4 million.

17. Depreciation rates for property, plant and equipment in 2016 ranges from 0 per cent to 10.4 per cent, depending on the respective categories, with an average effective depreciation rate for 2016 approximating 4.1 per cent. The movement in property, plant and equipment is captured in note 15 to the financial statements.

18. Overall, 4 per cent of property, plant and equipment assets have been fully depreciated, 37 per cent have remaining useful lives of between one month and four years and 59 per cent have remaining useful lives of more than four years. The remaining useful lives of property, plant and equipment continue to fall in line with normal rates of depreciation.

19. The remaining years of useful life compared with original expected useful life of various categories of property, plant and equipment are shown in figure IV.III.

Figure IV.III
Remaining useful lives of property, plant and equipment
(Years)



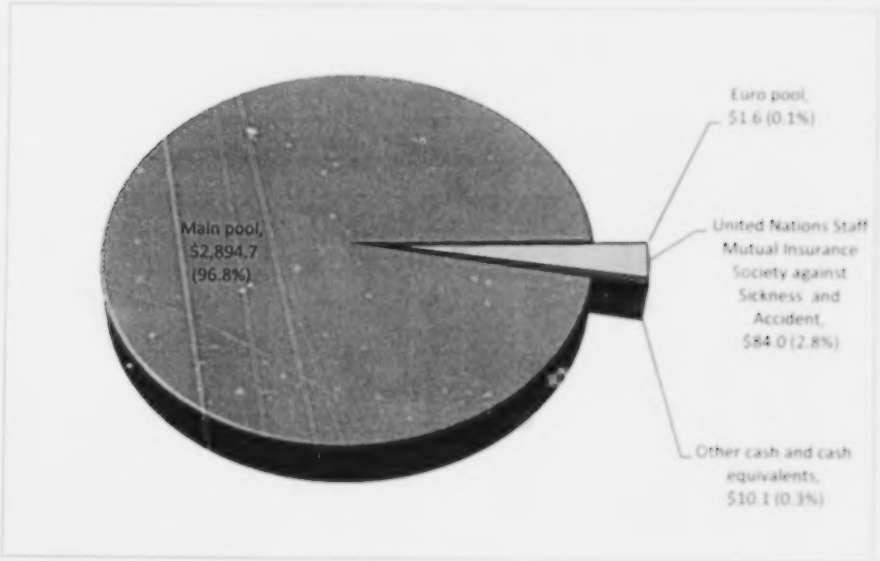
	Buildings	Infrastructure	Vehicles	Communications and information technology	Machinery and equipment	Furniture and fixtures	Leasehold improvements
Total	27	24	6	5	7	8	10
Remaining	13	10	1	1	1	3	8

Cash, cash equivalents and investments

20. As at 31 December 2016, the United Nations held cash and cash equivalents and investments of $2,990.3 million, of which $2,894.7 million was held in the main cash pool and the remainder was held in the euro pool and in banking institutions.

21. As at 31 December 2016, the Organization held $2,896.3 million (32.0 per cent) of the total assets of the main and euro cash pools, which amounted to $9,039.8 million; the main cash pool was predominantly denominated in United States dollars and the euro cash pool was entirely in euros (see figure IV.IV).

Figure IV.IV
Cash and investments by pool
(Millions of United States dollars and percentage)


Euro pool, $1.6 (0.1%)
United Nations Staff Mutual Insurance Society against Sickness and Accident, $84.0 (2.8%)
Other cash and cash equivalents, $10.1 (0.3%)
Main pool, $2,894.7 (96.8%)

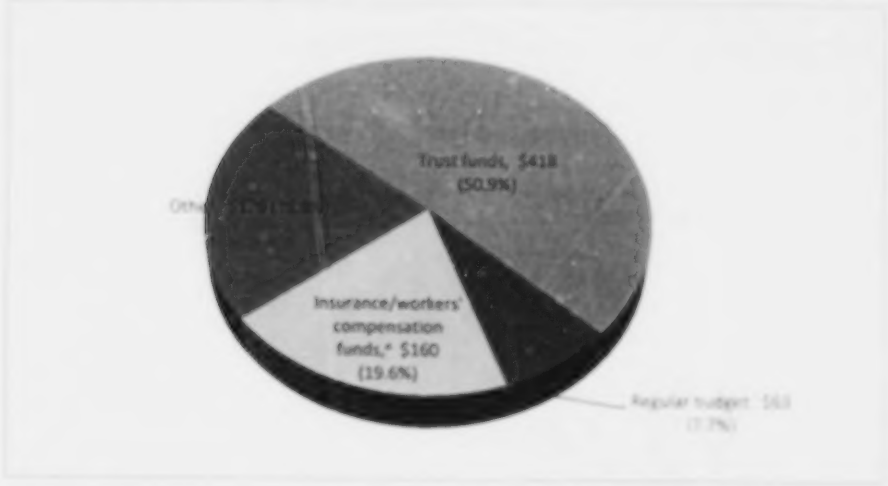
22. The cash pools consist largely of investments in liquid bonds (issued by Governments and government agencies), commercial papers and term deposits. The investments are presented at fair value with the relevant gains/losses recorded in the statement of financial performance. For 2016, the Organization earned $22.6 million in net income from the main and euro pools (0.89 per cent and 0 per cent respectively).

23. The investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident, valued at $84.0 million, were held in Swiss francs (SwF), largely in fixed income securities of government and related entities and supranational entities, in addition to an exchanged traded fund benchmarked to the Swiss market index. For 2016, the Organization incurred a loss of $1.5 million mainly owing to unrealized losses from the change in fair value of investments of the Society.

24. As at 31 December 2016, cash and cash equivalents comprised balances held in the main cash pool ($799.0 million) and in the euro pool ($1.6 million), investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident ($9.7 million) and other cash and cash equivalents ($10.1 million). Balances of cash and cash equivalents and investments were held in groups of funds as shown in figures IV.V and IV.VI.

Figure IV.V
Cash and cash equivalents by fund group

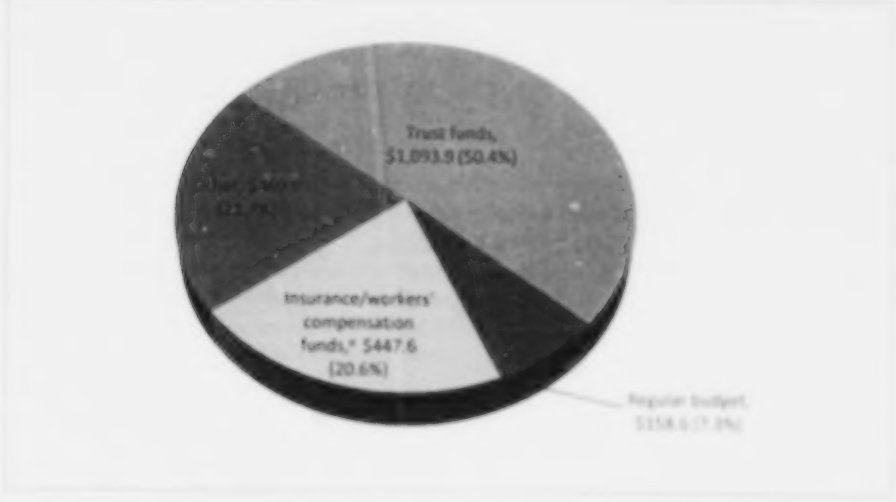
(Millions of United States dollars and percentages)



* Insurance/workers' compensation funds includes the United Nations Staff Mutual Insurance Society against Sickness and Accident, the workers' compensation fund and medical, dental and life insurance funds.

Figure IV.VI
Investments in cash pools by fund group

(Millions of United States dollars and percentages)



* Insurance/workers' compensation funds includes the United Nations Staff Mutual Insurance Society against Sickness and Accident, the workers' compensation fund and medical, dental and life insurance funds.

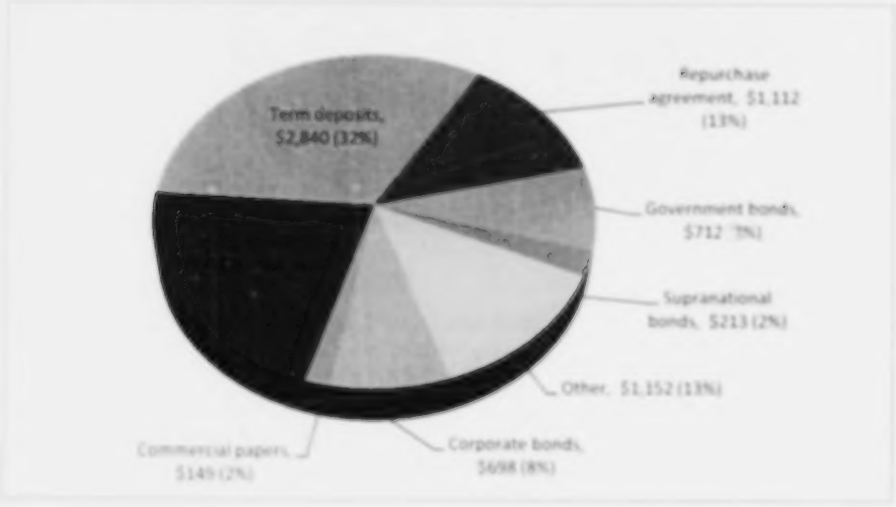
25. The trust funds group held 50.4 per cent of investments, while 20.6 per cent was held by insurance funds. The regular budget and related funds group held 7.3 per cent of investment holdings, amounting to $158.6 million.

26. The cash pools were invested in diversified instruments including government bonds and agencies, term deposits and commercial papers (see figure IV.VII).

Figure IV.VII

Cash pool investments by instrument type

(Millions of United States dollars and percentage)



27. The Organization's exposure to credit risks, liquidity risks and market risks with respect to its investment portfolios is considered to be low. The risk analysis of the investment portfolios is presented in notes 30 and 31 to the financial statements.

Voluntary contributions receivable

28. Voluntary contributions receivable as at 31 December 2016 amounted to $829.7 million, presented net of an allowance for doubtful accounts of $6.4 million. The voluntary contributions receivable of the Organization increased over the course of 2016 by $246.0 million, reflecting an increase in long-term voluntary receivable balances of $235.2 million compared with prior year balances. The increase relates primarily to two major agreements entered into during the year: a multi-year agreement signed by the Executive Office of the Secretary-General with the Government of China for $200 million and a multi-year agreement signed by the Central Emergency Response Fund with the Department of Foreign Affairs, Trade and Development of Canada for 147 million Canadian dollars (Can$) ($112.6 million). The amounts are due to the Organization under arrangements related to voluntary trust funds.

Voluntary contributions receivable as at 31 December 2016 and 31 December 2015

(Millions of United States dollars)

	2016	*2015*
Voluntary contributions receivable — current	395.1	384.3
Voluntary contributions receivable — non current	434.6	199.4
Total	**829.7**	**583.7**

29. The current and non-current voluntary contributions receivable related to general trust funds as at 31 December 2016 amounted to $393.9 million and $434.6 million respectively.

30. The outstanding balance was mainly related to the human rights and humanitarian affairs segment ($384.9 million, or 46 per cent), largely comprised of the receivables of the Office for the Coordination of Humanitarian Affairs of the Secretariat ($94.4 million, or 11 per cent) and the Central Emergency Response Fund ($137.3 million, or 17 per cent).

Assessed contributions receivable

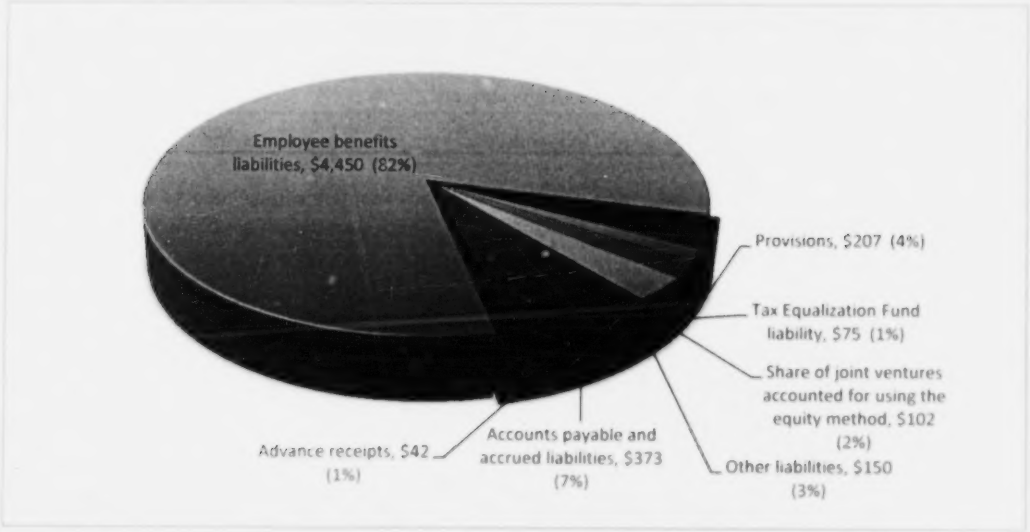
31. The balance of assessed contributions receivable as at 31 December 2016 of $276.1 million consisted of a gross balance of $494.7 million, which was offset by an allowance for doubtful receivables of $218.6 million. The balance of assessed contributions receivable decreased in 2016 as compared with 2015 by $113.2 million (29.1 per cent).

Liabilities

32. The total liabilities of the Organization increased over 2016 by $113.7 million (2.2 per cent increase) to $5,397.5 million, with the most notable increase taking place in employee benefits liabilities in an amount of $180.0 million (4.2 per cent increase) to $4,450.2 million, as compared with prior year balances. Employee benefits liabilities increased mainly as a result of current service cost and interest cost on the defined-benefits liability of $155.2 million and $142.7 million respectively, as well as actuarial losses of $46.8 million, which were partly offset by benefits paid of $143.0 million. The increase in liabilities was partially offset by a reduction of $74.6 million (16.7 per cent decrease) in accounts payable and accrued liabilities.

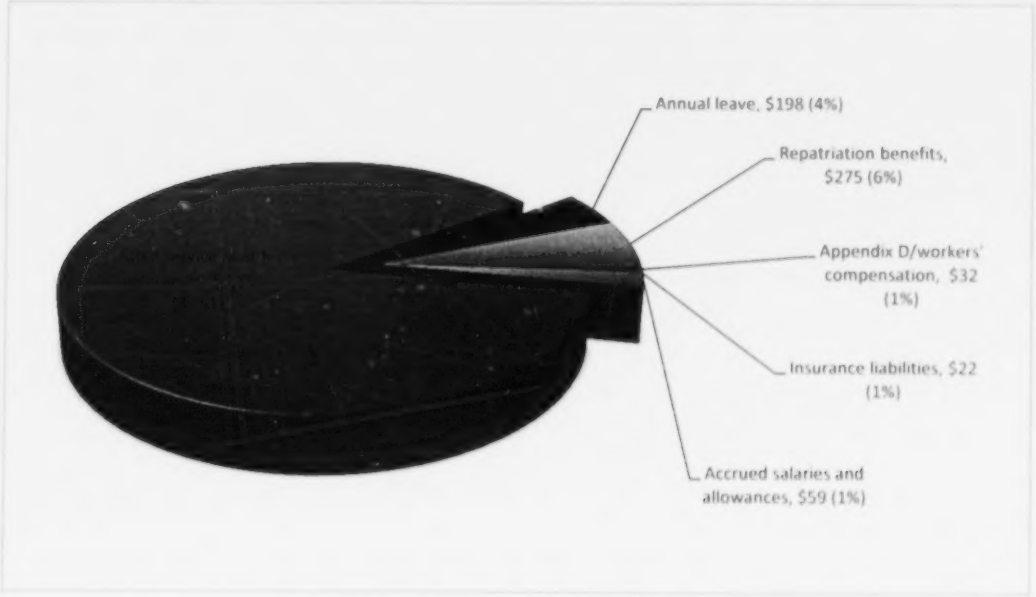
33. Figure IV.VIII presents the structure of the Organization's liabilities as at 31 December 2016, totalling $5,397.5 million.

Figure IV.VIII
Liabilities as at 31 December 2016
(Millions of United States dollars and percentage)


Employee benefits liabilities, $4,450 (82%)
Provisions, $207 (4%)
Tax Equalization Fund liability, $75 (1%)
Share of joint ventures accounted for using the equity method, $102 (2%)
Other liabilities, $150 (3%)
Accounts payable and accrued liabilities, $373 (7%)
Advance receipts, $42 (1%)

34. As illustrated in figure IV.VIII above, the Organization's liabilities largely comprised employee benefits liabilities of $4,450.2 million (82.4 per cent) and accounts payable and accrued liabilities of $372.5 million (6.9 per cent).

Figure IV.IX
Employee benefits liabilities
(Millions of United States dollars and percentage)


Annual leave, $198 (4%)
Repatriation benefits, $275 (6%)
Appendix D/workers' compensation, $32 (1%)
Insurance liabilities, $22 (1%)
Accrued salaries and allowances, $59 (1%)

35. As illustrated in figure IV.IX, employee benefits liabilities consist largely of liabilities related to after-service health insurance ($3,864.2 million), annual leave ($198.2 million) and repatriation benefits ($274.5 million), all of which are valued by independent actuaries.

36. Employee benefits liabilities for activities related to the regular budget continue on the pay-as-you-go approach for the present time pursuant to General Assembly resolution 70/248. The Organization continues to explore options to fund the liabilities, including a possible United Nations system-wide approach similar to the approach currently employed for retirement and disability benefits by the United Nations Joint Staff Pension Fund. For employee benefits liabilities relating to extra budgetary activities, the Organization has started funding liabilities relating to pensions, health insurance and repatriation grants. Effective 1 January 2017, a monthly accrual has been implemented to fund after-service health insurance liabilities relating to extrabudgetary activities.

Accounts payable and accrued liabilities

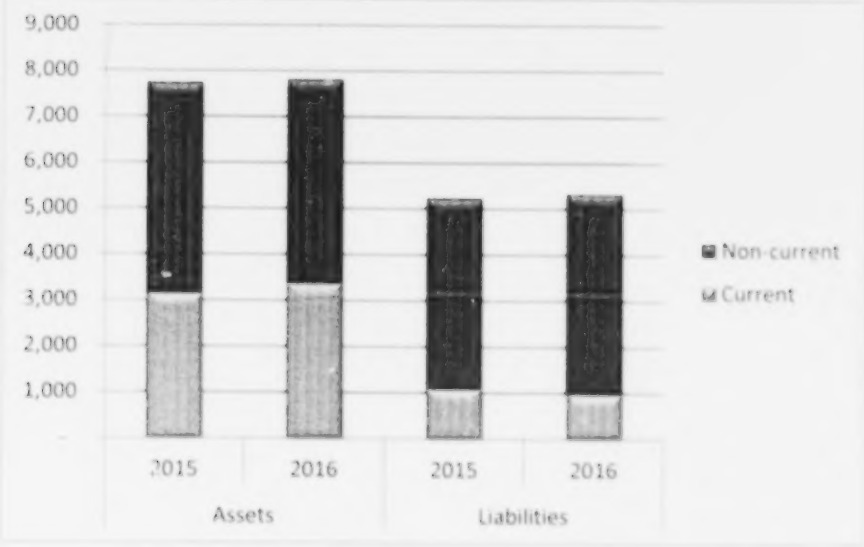
37. Accounts payable and accrued liabilities of $372.5 million (2015: $447.1 million) mainly consist of accruals for goods and services of $71.1 million (2015: $168.3 million) and vendor payables of $62.5 million (2015: $40.4 million).

38. Figure IV.X provides an analysis of the structure of the United Nations accounts by current and non-current assets and liabilities as at 31 December 2016 and 31 December 2015, indicating minimal changes between the two years.

Figure IV.X

Structure of the United Nations accounts by current and non-current assets and liabilities as at 31 December 2016 and 31 December 2015

(Millions of United States dollars)



Financial performance

Revenue analysis

39. The total revenue of the Organization for 2016 was $5,706.0 million, compared with total expenses of $5,717.5 million, resulting in a deficit of total revenue over total expenses of $11.5 million. The net increase in revenue of $80.8 million was due mainly to an increase in voluntary contributions of $263.9 million (12.6 per cent increase) partially offset by decreases in assessed contributions of $41.4 million (1.5 per cent decrease) and other transfers and allocations of $131.8 million (75.4 per cent decrease). Two multi-year agreements concluded during the year contributed to the increase in voluntary contributions: one with China for a total of $200 million over a period of 10 years, and the other with the Department of Foreign Affairs, Trade and Development of Canada for a total of Can$ 147 million over five years. The full amount of the agreements was recognized in 2016 in accordance with IPSAS policies. Figures IV.XI and IV.XII provide an analysis of revenue by nature and by segment.

Figure IV.XI
Revenue by nature
(Millions of United States dollars and percentage)

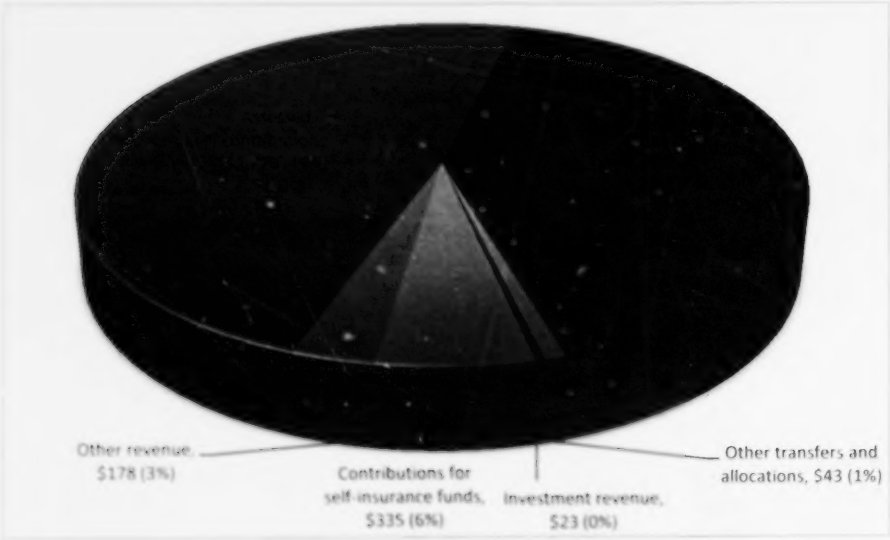
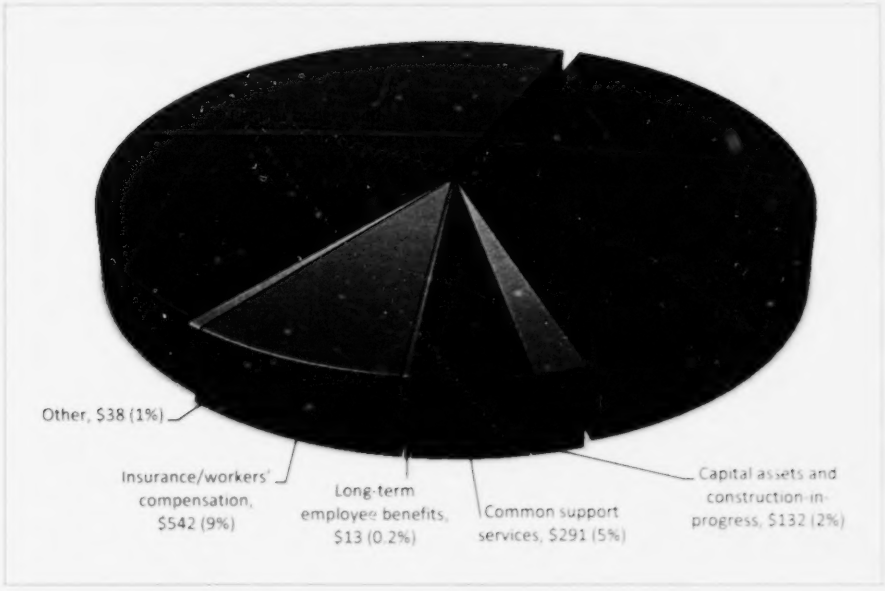
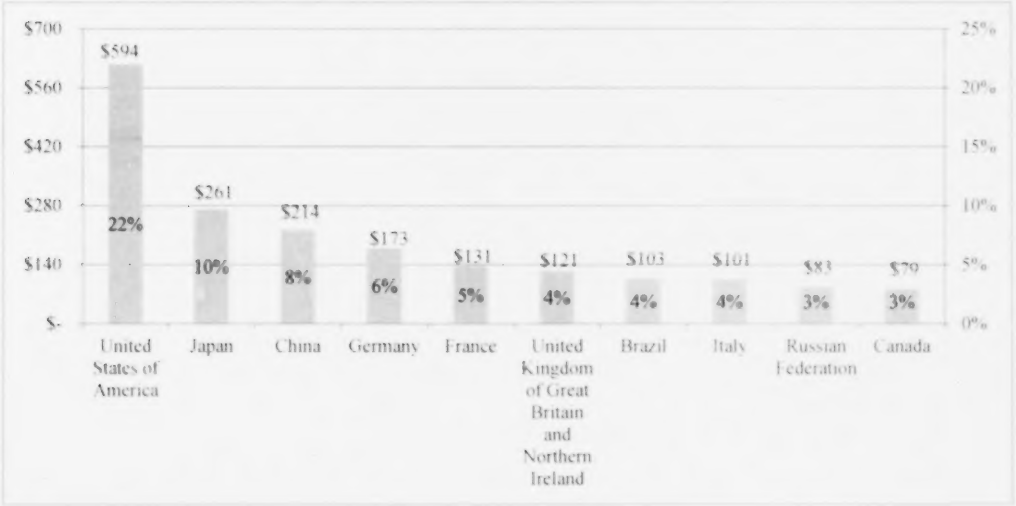

Other revenue, $178 (3%)
Contributions for self-insurance funds, $335 (6%)
Investment revenue, $23 (0%)
Other transfers and allocations, $43 (1%)

Figure IV.XII
Revenue by segment
(Millions of United States dollars and percentage)


Other, $38 (1%)
Insurance/workers' compensation, $542 (9%)
Long-term employee benefits, $13 (0.2%)
Common support services, $291 (5%)
Capital assets and construction-in-progress, $132 (2%)

40. Assessed contributions of $2,770.0 million comprised 48.5 per cent of the funding of the Organization for 2016. Assessed contributions are based on a scale of assessments approved by the General Assembly; figure IV.XIII indicates the Member States with the largest assessments for 2016.

Figure IV.XIII
Top 10 contributors of assessed contributions
(Millions of United States dollars and percentage)



41. Voluntary contributions amounted to $2,357.8 million and comprised 41.3 per cent of 2016 revenue. Figures IV.XIV and IV.XV show the major voluntary contributors for monetary contributions and in-kind contributions for 2016. Figure IV.XIV indicates that the United Kingdom of Great Britain and Northern Ireland was the major contributor of voluntary monetary contributions and figure IV.XV indicates that the United Arab Emirates was the major contributor of voluntary in-kind contributions.

Figure IV.XIV
Major voluntary contributors, monetary contributions
(Millions of United States dollars)

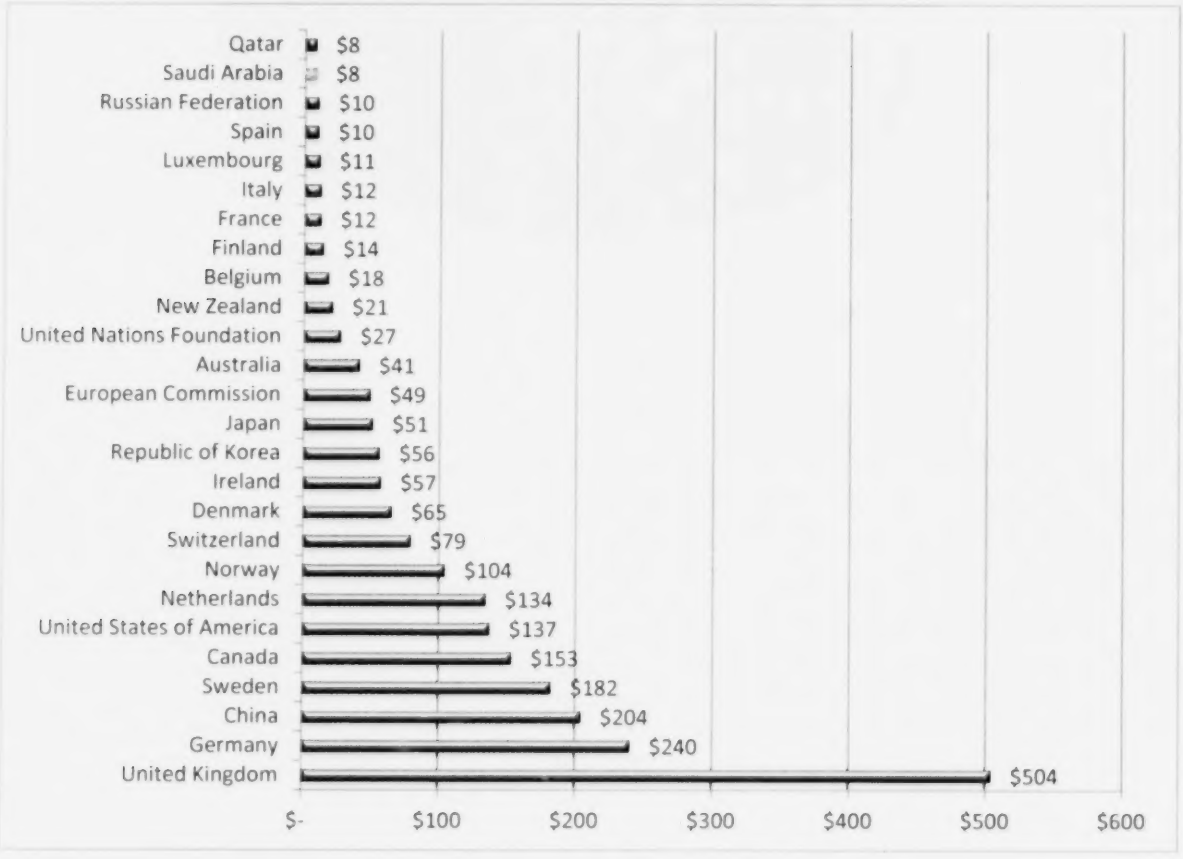
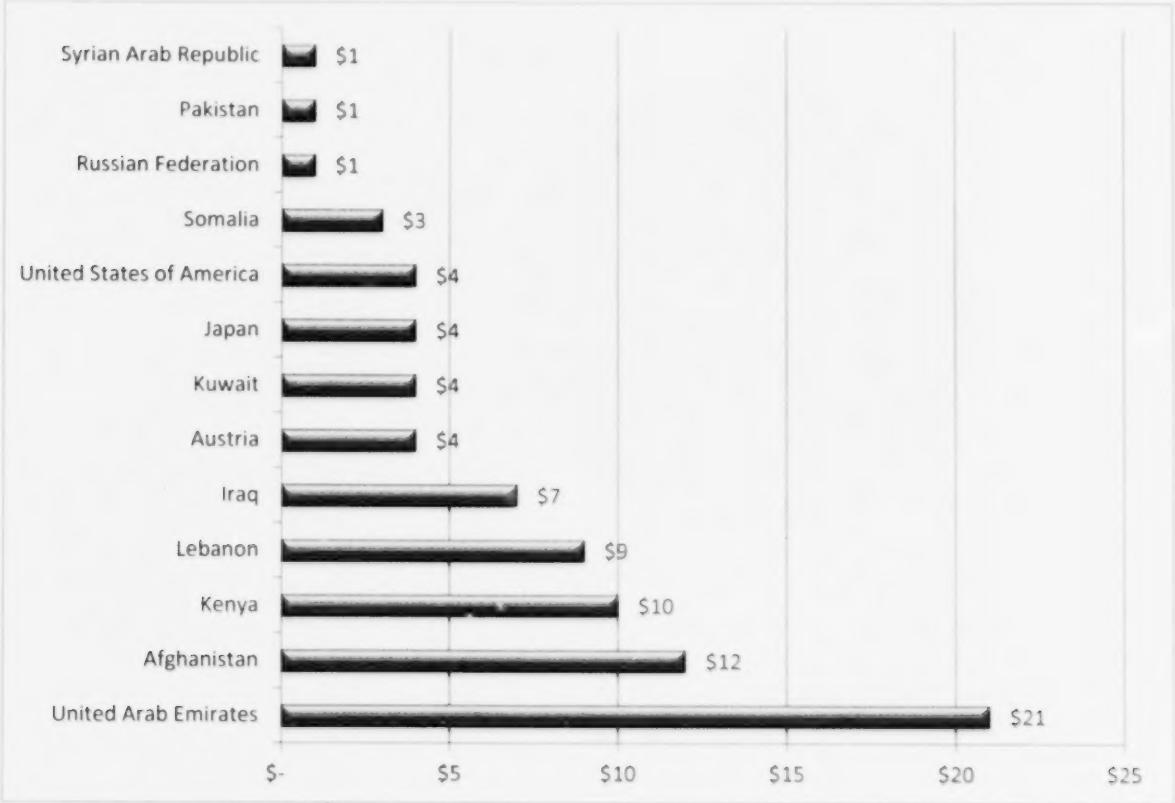
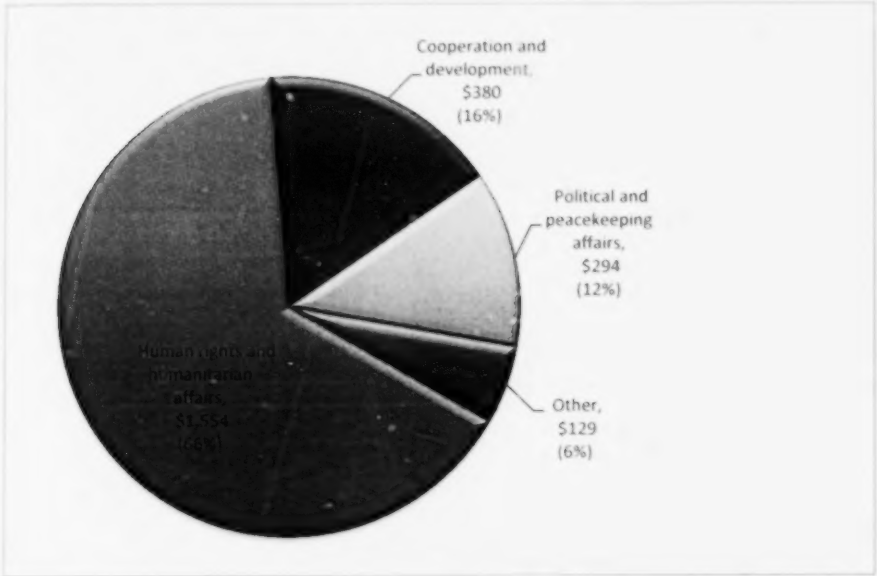


Figure IV.XV
Major voluntary contributors, in-kind contributions
(Millions of United States dollars)



42. Figure IV.XVI highlights voluntary contributions by programme segment and shows that voluntary funding is directed largely to the segment of human rights and humanitarian affairs.

Figure IV.XVI
Voluntary contributions by major work pillar
(Millions of United States dollars and percentage)

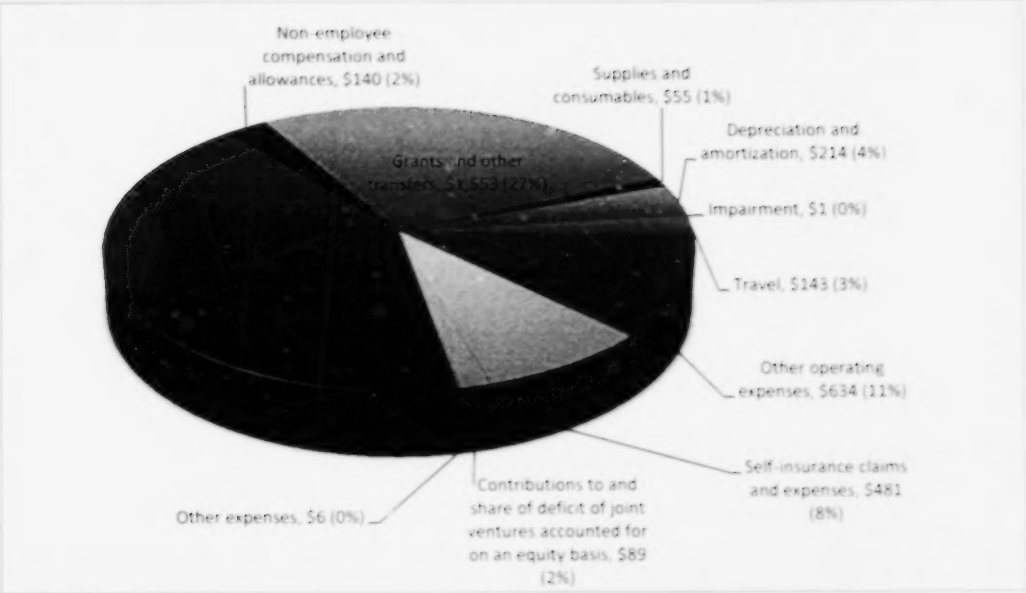


Expense analysis

43. The total expenses of the Organization increased over the course of 2016 by $104.3 million (1.9 per cent increase) to $5,717.5 million, with the most notable increases being in grants and other transfers by $231.4 million (17.5 per cent increase), travel expenses by $36.2 million (33.9 per cent increase) and self-insurance claims and expenses by $19.7 million (4.3 per cent increase), offset by decreases in employee salaries, allowances and benefits by $102.6 million (4.1 per cent decrease) and other operating expenses by $103.8 million (14.1 per cent decrease).

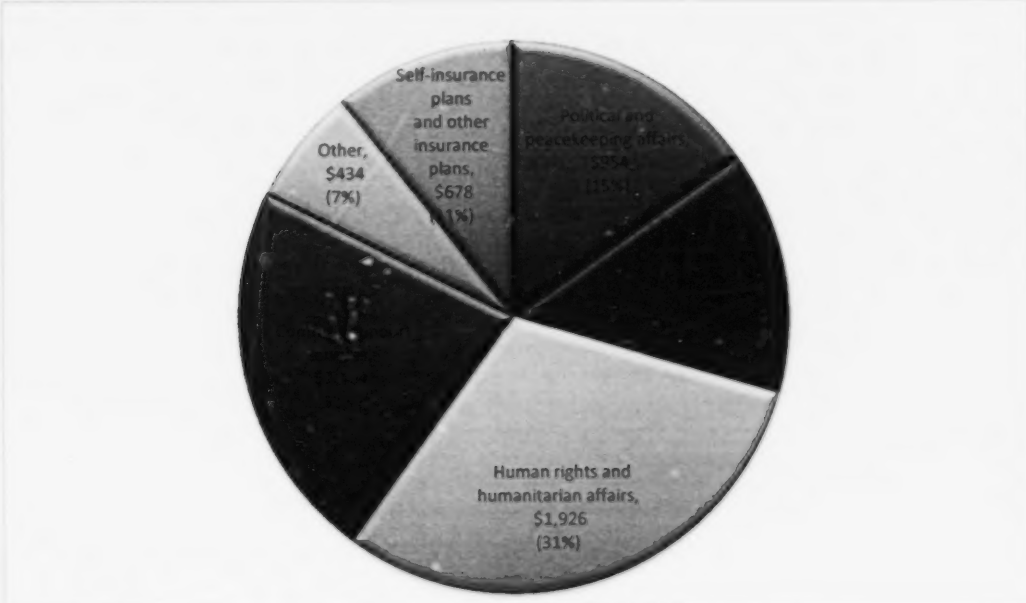
44. Figure IV.XVII highlights expenses by their nature, showing that the largest categories are employee salaries, allowances and benefits and non-employee compensation and allowances in the amount of $2,540.0 million (44.4 per cent) and grants and transfers to end beneficiaries and implementing partners of $1,553.2 million (27.2 per cent). Operating expenses of $634.4 million (11.1 per cent) was also a significant category and was composed largely of contracted services, acquisition of expensed goods and rental of office space.

Figure IV.XVII
Expenses by nature
(Millions of United States dollars and percentage)


Non-employee compensation and allowances, $140 (2%)
Supplies and consumables, $55 (1%)
Depreciation and amortization, $214 (4%)
Grants and other transfers, $1,553 (27%)
Impairment, $1 (0%)
Travel, $143 (3%)
Other operating expenses, $634 (11%)
Self-insurance claims and expenses, $481 (8%)
Contributions to and share of deficit of joint ventures accounted for on an equity basis, $89 (2%)
Other expenses, $6 (0%)

45. Figure IV.XVIII highlights expenses by work pillar.

Figure IV.XVIII
Expenses by work pillar
(Millions of United States dollars and percentage)



46. In 2016, the major pillars of cooperation and development and political and peacekeeping affairs had a net surplus of $206.6 million and $117.5 million respectively, partially offset by the net deficit for other segments totalling $335.6 million, of which $122.8 million related to the pillar of self-insurance plans and other insurance plans, $110.2 million related to common support services and $103.0 million related to human rights and humanitarian affairs. This resulted in an overall deficit for the year. Note 5 to the financial statements, on segment reporting, provides details of financial performance by segment.

Net assets

47. Net assets of $2,380.4 million as at 31 December 2016 consisted of an accumulated surplus of $2,322.9 million and reserves of $57.6 million and reflect the accumulated effect of the Organization's historical activity. The decrease in net assets over 2016 by $67.1 million (2.7 per cent decrease) to $2,380.4 million is attributable primarily to actuarial losses on employee benefits liabilities recognized directly in the statement of net assets in the amount of $48.4 million, owing in particular to decreases in the discount rates.

D. United Nations General Fund and related funds

Budgetary performance of the regular budget

48. The regular budget of the United Nations continues to be prepared on a modified cash basis, as presented in statement V. To facilitate a comparison between the budget performance and the financial statements prepared under IPSAS, a reconciliation of the budget with the cash flow statement is included in note 6.

49. Approved budgets are those that authorize expenditure to be incurred and are approved by the General Assembly. For IPSAS reporting purposes, approved budgets are the appropriations authorized under Assembly resolutions. The original budget for the biennium 2016-2017 comprises the appropriations and income estimates approved by the Assembly for the biennium in resolutions 70/249 A-C. The original annual budget is the portion of the initial appropriations and income estimates allocated to 2016. The final budget reflects the original budget plus any adjustments reflected in the revised appropriations and income estimates approved by the General Assembly in resolutions 71/273 A-C. The relevant part of the assessed contributions is recognized as revenue at the beginning of each year in the biennium.

Changes from original budget to final budget

50. In 2016, the final annual budget of $2,858.4 million exceeded the original annual budget of $2,793.0 million by $65.4 million, or 2.3 per cent. Changes to the original budget mainly related to overall policymaking, direction and coordination, political affairs, international justice and law, international cooperation for development, human rights and humanitarian affairs, common support services, capital expenditure, safety and security, and staff assessment.

Budget utilization

51. The total budget utilized in 2016 was $2,805.5 million, which is under the final budget by $52.9 million, or 1.9 per cent. Figures IV.XIX and IV.XX provide a

breakdown of the overutilization and underutilization, respectively, by regular budget category.

Figure IV.XIX
Expenditure overutilization
(Millions of United States dollars and percentage)

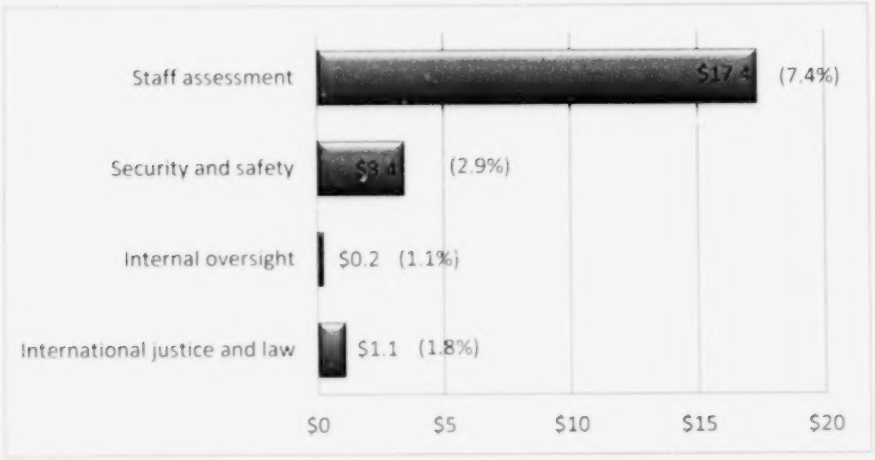
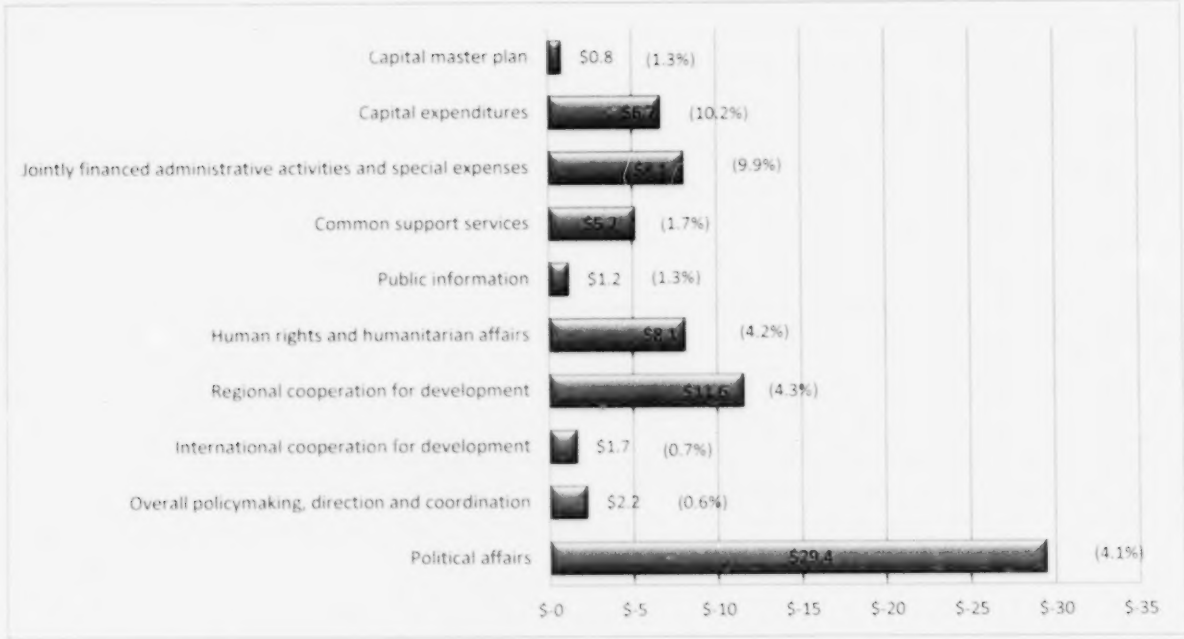


Figure IV.XX
Expenditure underutilization
(Millions of United States dollars and percentage)



52. Material differences greater than 10 per cent are considered in note 6 to the financial statements.

Regular budget appropriations

53. Presented in table IV.1 is a summary reconciliation of budget appropriations and gross assessments for the biennium 2016-2017 to the amount disclosed in statement II as assessed contributions for 2016.

Table IV.1
Reconciliation of budget appropriations and gross assessments for 2016-2017 to assessed contributions for 2016
(Thousands of United States dollars)

	2016	2017	Total
Budget appropriations (resolution 70/249 A)	2 700 897	2 700 897	5 401 794
Add: Increased appropriations for the biennium 2016-2017:			
Resolution 70/248 B	–	4 665	4 665
Resolution 70/248 C	–	2 260	2 260
Resolution 71/273 A	–	205 443	205 443
Total 2016-2017 final budget appropriations	**2 700 897**	**2 913 265**	**5 614 162**
Estimated income (other than staff assessment) for the biennium 2016-2017 (resolution 70/249 B)	22 467	22 467	44 934
Less: Decrease in income (other than staff assessment) for the biennium 2016-2017:			
Resolution 71/273 B	–	(5 762)	(5 762)
Total revised estimated income	**22 467**	**16 705**	**39 172**
Total 2016-2017 final budget appropriations less total estimated income	**2 678 430**	**2 896 560**	**5 574 990**
Add: Net increase in appropriations for the biennium 2014-2015 (resolution 69/274 A and B and 70/240 A) assessed in 2016 (resolution 70/249 C)	95 160		95 160
Less: Increase in income (other than staff assessment) for the biennium 2014-2015 (resolution 70/240 B) adjusted against the assessment in 2016 (resolution 70/249 C)	(28 402)		(28 402)
Surplus for the biennium 2014-2015		(120 030)	(120 030)
	66 758	(120 030)	(53 272)
Gross amounts assessed to Member States in the biennium 2016-2017 (resolutions 70/249 C and 71/273 C)	**2 745 188**	**2 776 530**	**5 521 718**
Add: IPSAS adjustment[a]	24 664		24 664
Assessed contributions for 2016 as reported in statement II	**2 769 852**	**2 776 530**	**5 546 382**

[a] Includes deductions of additional 2014-2015 assessments charged to Member States in 2016 and additional appropriations approved for the year 2016.

E. Capital master plan

54. The activities of the Organization's capital master plan officially ended in 2015 with the transfer of responsibility to the Office of Central Support Services of the Secretariat for overseeing final residual works, including the demolition of the Temporary North Lawn Building. Final funding for the project was authorized by the General Assembly in its resolution 69/274 A.

F. Liquidity

55. The liquidity assessment reviews the adequacy of the liquid assets at the Organization's disposal to quickly settle its immediate obligations. As at 31 December 2016, the overall liquidity position of the Organization was positive as it had sufficient liquid assets to settle its immediate obligations.

56. As at 31 December 2016 and 31 December 2015 liquid funds amounted to $2,920.3 million and $2,704.7 million respectively, as shown in table IV.2.

Table IV.2
Liquid funds as at 31 December 2016 and 31 December 2015
(Millions of United States dollars)

	2016	2015
Cash and cash equivalents	820.3	485.4
Short-term investments	1 428.8	1 445.7
Assessed contributions receivable	276.1	389.3
Voluntary contributions receivable — current	395.1	384.3
	2 920.3	**2 704.7**

57. Total current liabilities as at 31 December 2016 and 31 December 2015 amounted to $985.3 million and $1,091.1 million respectively.

58. Table IV.3 summarizes three key liquidity indicators for the year ended 31 December 2016 and 31 December 2015.

Table IV.3
Liquidity indicators for the years ended 31 December 2016 and 31 December 2015

	2016	2015
Ratio of current assets to current liabilities	3.4:1	2.9:1
Ratio of liquid assets to current liabilities	3.0:1	2.5:1
Ratio of liquid assets less accounts receivable to current liabilities	2.3:1	1.8:1
Ratio of liquid assets to total assets	0.4:1	0.4:1
Average months of cash, cash equivalents and investments on hand	4.9	4.1

59. The ratio of current assets to current liabilities indicates the ability of the Organization to pay its short-term obligations from its current funds. As at 31 December 2016, current liabilities were covered by up to 3.4 times from current

assets, indicating there are sufficient assets available to pay liabilities should the need arise. An increase of this value from 2.9 in the prior year indicates a higher holding of liquid funds at the end of 2016.

60. The ratio of liquid assets to current liabilities of 3.0 indicates holding of liquid funds was sufficient to cover short-term liabilities. The positive change in the ratio from the prior year of 2.5 also indicates an improvement in the Organization's overall liquidity.

61. When accounts receivable are excluded from liquid assets, the ratio indicates how the Organization handles its current liabilities without reliance on amounts receivable, that is, using only funds on hand. As at 31 December 2016, this ratio was 2.3, meaning that the Organization is able to fully cover its current liabilities using its immediately available funds. The positive trend from 1.8 in the prior year is also an indicator of improved liquidity.

62. The ratio of liquid assets to total assets shows the share of the Organization's liquid funds to total assets. The ratio of 0.4 indicates 40 per cent of the Organization's total assets are relatively liquid. This ratio remained the same from the previous year.

63. With regard to average months of cash, cash equivalents and investments on hand, as at 31 December 2016 the Organization held sufficient cash and cash equivalents and investments to cover its estimated average monthly expenses (less depreciation, amortization and impairment) of $458.6 million for 4.9 months.

64. The liquidity of the Organization was supported largely by liquid assets related to trust funds; when the assessment is done separately for the regular budget and related funds, the liquidity result is much tighter, as shown in table IV.4.

Table IV.4
Liquidity indicators for the regular budget and related funds

Indicators	2016	2015
Ratio of current assets to current liabilities	1.2:1	1.2:1
Ratio of liquid assets to current liabilities	1.0:1	1.0:1
Ratio of liquid assets less accounts receivable to current liabilities	0.4:1	0.1:1
Ratio of liquid assets to total assets	0.5:1	0.5:1
Average months of cash, cash equivalents and investments on hand	0.7	0.3

G. Looking forward to 2017 and beyond

65. The overall financial position of the United Nations at the end of 2016 was positive with the liquidity being driven predominantly by trust funds. Compared with 2015, a slight increase in the liquidity position relating to the regular budget was noted, evidenced by the increase in the average months of liquid assets on hand; this compares with 0.3 months in 2015 and is being actively managed. The longer-term risk relating to the unfunded employee benefits liabilities is progressively being addressed.

Annex I

Supplementary information required by the Financial Regulations and Rules of the United Nations

1. The present annex provides supplementary information that the Secretary-General is required to report.

Write-off of losses of cash and receivables

2. Pursuant to rule 106.7 (a) of the Financial Regulations and Rules of the United Nations, write-off cases totalling $1,527,617 were approved for the year 2016 with respect to the United Nations as reported in volume I. A breakdown of the write-offs is as follows:

Fund activity	*2016*
United Nations General Fund and related funds	885 558
General trust funds	634 983
Other funds	7 076
Total	**1 527 617**

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), losses of property for the United Nations as reported in volume I amounted to $12,329,787.09 during 2016. The losses are based on the original cost of the property and include write-offs arising from obsolescence, normal wear and tear, shortfalls, thefts, damages and accidents.

Ex gratia payments

4. An ex gratia payment amounting to $10,000 was made during 2016.

Annex II

Other supplementary information

Statement of financial position of the General Fund and related funds as at 31 December 2016

(Thousands of United States dollars)

	General Fund and related funds	*Working Capital Fund*	*Special account*	*Eliminations*	*31 December 2016*	*31 December 2015 (restated)*
Assets						
Current assets						
Cash and cash equivalents	62 692	410	102	–	63 204	18 833
Investments	106 125	727	179	–	107 031	54 022
Assessed contributions receivable	275 932	189	–	–	276 121	389 272
Other receivables	52 524	148 429	200 300	(352 495)	48 758	44 374
Inventories	19 570	–	–	–	19 570	17 833
Other assets	52 009	–	–	–	52 009	69 408
Total current assets	**568 852**	**149 755**	**200 581**	**(352 495)**	**566 693**	**593 742**
Non-current assets						
Investments	51 102	350	86	–	51 538	30 755
Property, plant and equipment	302 311	–	–	–	302 311	322 678
Intangibles	2 367	–	–	–	2 367	2 557
Share of joint ventures accounted for using the equity method	2 107	–	–	–	2 107	1 881
Total non-current assets	**357 887**	**350**	**86**	**–**	**358 323**	**357 871**
Total assets	**926 739**	**150 105**	**200 667**	**(352 495)**	**925 016**	**951 613**
Liabilities						
Current liabilities						
Accounts payable and accrued payables	120 877	150 000	–	–	270 877	306 907
Advance receipts	24 621	–	–	–	24 621	17 620
Employee benefits liabilities	43 152	–	–	–	43 152	42 011
Provisions	123 063	–	–	–	123 063	121 225
Other liabilities	353 834	–	–	(352 495)	1 339	977
Total current liabilities	**665 547**	**150 000**	**–**	**(352 495)**	**463 052**	**488 740**

Statement of financial position of the General Fund and related funds as at 31 December 2016 (continued)

(Thousands of United States dollars)

	General Fund and related funds	*Working Capital Fund*	*Special account*	*Eliminations*	*31 December 2016*	*31 December 2015 (restated)*
Non-current liabilities						
Employee benefits liabilities	18 287	–	–	–	18 287	18 304
Provisions	392	–	–	–	392	317
Share of joint ventures accounted for using the equity method	102 051	–	–	–	102 051	78 363
Other liabilities	685	–	–	–	685	1 893
Total non-current liabilities	**121 415**	–	–	–	**121 415**	**98 877**
Total liabilities	**786 962**	**150 000**	–	**(352 495)**	**584 467**	**587 617**
Total assets and liabilities	**139 777**	**105**	**200 667**	–	**340 549**	**363 996**
Net assets						
Accumulated surplus	139 777	105	200 667	–	340 549	363 996

Statement of financial performance for the year ended 31 December 2016 for the General Fund and related funds

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Revenue		
Assessed contributions	2 769 852	2 811 278
Voluntary contributions	45 912	39 229
Investment revenue	2 595	3 179
Other exchange revenue	45 150	50 083
Total	**2 863 509**	**2 903 769**
Expenses		
Employee salaries, allowances and benefits	1 887 364	1 913 696
Non-employee compensation and allowances	69 831	77 772
Grants and other transfers	275 106	290 681
Supplies and consumables	32 570	27 407
Depreciation and amortization	41 023	46 602
Impairment	1 082	473
Travel	68 278	46 327
Other operating expenses	408 359	529 378
Finance costs	121	184
Contributions to/share of joint ventures	89 125	95 450
Other expenses	5 090	2 255
Total	**2 877 949**	**3 030 225**
Deficit for the year	**(14 440)**	**(126 456)**

Operational revenue and expenses of the Tax Equalization Fund[a]

(Thousands of United States dollars)

	United States of America	*Other Member States*	*31 December 2016*	*31 December 2015*
Staff assessment receipts from:				
United Nations regular budget	55 667	197 363	253 030	256 597
Peacekeeping operations	52 304	130 748	183 052	183 164
International tribunals	3 272	9 666	12 938	15 801
Interest revenue split	81	247	328	526
Total staff assessment revenue	**111 324**	**338 024**	**449 348**	**456 088**
Staff costs and other	97 901	–	97 901	109 544
Contractual services	286	–	286	175
Credits given to other Member States for:				
United Nations regular budget	–	196 590	196 590	205 561
Peacekeeping operations	–	135 854	135 854	124 159
International tribunals	–	9 091	9 091	13 425
Total expenses	**98 187**	**341 535**	**439 722**	**452 864**
Net excess of revenue over expenses	**13 137**	**(3 511)**	**626**	**3 224**

[a] This summary information presented in a table format shows the revenues and expenses of the Tax Equalization Fund, which have been eliminated in the financial statements of volume I. See note 21 to the financial statements for additional information disclosed in relation to the cumulative surplus in the Tax Equalization Fund as at 31 December 2016. An amount of $9.6 million representing excess of revenues over expenses has been added to cumulative surplus balances during 2016.

Chapter V

Financial statements for the year ended 31 December 2016

Operations of the United Nations as reported in volume I

I. Statement of financial position as at 31 December 2016

(Thousands of United States dollars)

	Reference	*31 December 2016*	*31 December 2015 (restated[a])*
Assets			
Current assets			
Cash and cash equivalents	Note 7	820 343	485 352
Investments	Note 8	1 428 837	1 445 740
Assessed contributions receivable	Note 9	276 145	389 306
Voluntary contributions receivable	Note 10	395 136	384 298
Other receivables	Note 11	144 777	97 256
Inventories	Note 12	19 686	18 027
Other assets	Note 13	280 368	330 098
Total current assets		**3 365 292**	**3 150 077**
Non-current assets			
Investments	Note 8	741 169	1 036 992
Voluntary contributions receivable	Note 10	434 563	199 403
Property, plant and equipment	Note 15	3 128 851	3 216 137
Intangible assets	Note 16	104 840	125 620
Share of joint ventures accounted for using the equity method	Note 24	3 179	3 069
Total non-current assets		**4 412 602**	**4 581 221**
Total assets		**7 777 894**	**7 731 298**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 17	372 518	447 144
Advance receipts	Note 18	41 661	23 264
Employee benefits liabilities	Note 19	216 007	240 599
Provisions	Note 20	206 219	212 949
Tax equalization liability	Note 21	74 795	96 011
Other liabilities	Note 22	74 133	71 158
Total current liabilities		**985 333**	**1 091 125**

Operations of the United Nations as reported in volume I

I. Statement of financial position as at 31 December 2016 (continued)

(Thousands of United States dollars)

	Reference	31 December 2016	31 December 2015 (restated*)
Non-current liabilities			
Employee benefits liabilities	Note 19	4 234 157	4 029 518
Provisions	Note 20	392	317
Share of joint ventures accounted for using the equity method	Note 24	102 051	78 363
Other liabilities	Note 22	75 529	84 395
Total non-current liabilities		**4 412 129**	**4 192 593**
Total liabilities		**5 397 462**	**5 283 718**
Net of total assets and total liabilities		**2 380 432**	**2 447 580**
Net assets			
Accumulated surplus	Note 25	2 322 881	2 388 809
Reserves	Note 25	57 551	58 771
Total net assets		**2 380 432**	**2 447 580**

* Restated to conform with the current presentation and changes in the actuarial valuation of employee benefits liabilities (note 4).

The accompanying notes to the financial statements are an integral part of these financial statements.

Operations of the United Nations as reported in volume I

II. Statement of financial performance for the year ended 31 December 2016

(Thousands of United States dollars)

	Reference	*2016*	*2015 (restated[a])*
Revenue			
Assessed contributions	Note 26	2 769 852	2 811 278
Voluntary contributions	Note 26	2 357 807	2 093 878
Other transfers and allocations	Note 26	42 966	174 795
Investment revenue	Note 30	22 784	15 662
Contributions for self-insurance funds	Note 28	334 589	356 906
Other revenue	Note 27	178 000	172 722
Total revenue		**5 705 998**	**5 625 241**
Expenses			
Employee salaries, allowances and benefits	Note 29	2 399 617	2 502 206
Non-employee compensation and allowances		140 446	126 900
Grants and other transfers	Note 29	1 553 243	1 321 842
Supplies and consumables		55 229	48 844
Depreciation and amortization	Notes 15 and 16	213 729	207 341
Impairment	Note 15	1 082	1 065
Travel		142 992	106 816
Other operating expenses	Note 29	634 372	738 207
Self-insurance claims and expenses	Note 28	481 402	461 675
Finance costs	Note 33	121	184
Contributions to and share of deficit of joint ventures accounted for on an equity basis	Note 24	89 192	95 897
Other expenses	Note 29	6 060	2 163
Total expenses		**5 717 485**	**5 613 140**
(Deficit)/surplus for the year		**(11 487)**	**12 101**

[a] Restated to conform with the current presentation (note 4).

The accompanying notes to the financial statements are an integral part of these financial statements.

Operations of the United Nations as reported in volume I

III. Statement of changes in net assets for the year ended 31 December 2016

(Thousands of United States dollars)

	Accumulated surplus	Reserves	Total Net assets
Net assets as at 1 January 2015	**1 624 541**	**59 116**	**1 683 657**
Changes in net assets			
Actuarial gains on employee benefits liabilities (note 25)	758 906	—	758 906
Transfer of funds to other Secretariat reporting entities	(1 713)	—	(1 713)
Share of changes recognized by joint ventures directly in net assets (note 24)	(6 997)	—	(6 997)
Transfers to/from reserves	345	(345)	—
Other adjustments to net assets	1 626	—	1 626
Surplus for the year	12 101	—	12 101
Total changes in net assets	**764 268**	**(345)**	**763 923**
Net assets as at 31 December 2015 (restated) (note 25)	**2 388 809**	**58 771**	**2 447 580**
Changes in net assets			
Actuarial losses on employee benefits liabilities (note 25)	(48 353)	—	(48 353)
Share of changes recognized by joint ventures directly in net assets (note 24)	(7 308)	—	(7 308)
Transfers to/from reserves	1 220	(1 220)	—
Deficit for the year	(11 487)	—	(11 487)
Total changes in net assets	**(65 928)**	**(1 220)**	**(67 148)**
Net assets as at 31 December 2016 (note 25)	**2 322 881**	**57 551**	**2 380 432**

[a] Restated due to changes in the actuarial valuation of employee benefits liabilities (note 4).

The accompanying notes to the financial statements are an integral part of these financial statements.

Operations of the United Nations as reported in volume I

IV. Statement of cash flows for the year ended 31 December 2016

(Thousands of United States dollars)

	Reference	*2016*	*2015 (restated)*
Cash flows from operating activities			
(Deficit)/surplus for the year		**(11 487)**	**12 101**
Non-cash movements			
Depreciation and amortization	Notes 15 and 16	213 729	207 341
Impairment of property, plant and equipment	Note 15	1 082	1 065
Actuarial (loss)/gain on employee benefits liabilities		(48 353)	758 906
Share of changes in net assets recognized by joint ventures	Note 24	(7 308)	(6 997)
Other changes to net assets		–	(87)
Net loss on disposal of property, plant and equipment and inventory		3 287	25 192
Transfers and donations of assets	Note 26	(23 635)	(64 584)
Changes in assets			
Decrease in assessed contributions receivable	Note 9	113 161	48 889
Increase in voluntary contributions receivable	Note 10	(245 998)	(126 897)
(Increase)/decrease in other receivables	Note 11	(47 521)	41 328
(Increase)/decrease in inventories	Note 12	(1 659)	1 622
Decrease in other assets	Note 13	49 730	51 111
(Increase)/decrease in share of joint venture asset accounted for using the equity method	Note 24	(110)	7 736
Changes in liabilities			
Increase in share of joint venture liability accounted for using the equity method	Note 24	23 688	17 483
Decrease in accounts payable and accrued liabilities	Note 17	(74 626)	(81 190)
Increase/(decrease) in advance receipts	Note 18	18 397	(94 247)
Increase/(decrease) in employee benefits liabilities	Note 19	180 047	(516 059)
(Decrease)/increase in provisions	Note 20	(6 655)	73 205
Decrease in Tax Equalization Fund liability	Note 21	(21 216)	(241)
(Decrease)/increase in other liabilities	Note 22	(5 891)	7 331
Investment revenue presented as investing activities	Note 30	(22 784)	(15 662)
Net cash flows from operating activities		**85 878**	**347 346**

Operations of the United Nations as reported in volume I

IV. Statement of cash flows for the year ended 31 December 2016 (continued)

(Thousands of United States dollars)

	Reference	*2016*	*2015 (restated[a])*
Cash flows from investing activities			
Pro rata share of net decrease/(increase) in cash pool	Note 30	312 726	(424 719)
Investment revenue presented as investing activities	Note 30	22 784	15 662
Acquisitions of property, plant and equipment	Notes 15 and 26	(77 450)	(36 685)
Proceeds from disposal of plant and equipment	Note 15	164	541
Acquisitions of intangibles	Notes 16 and 26	(9 111)	(14 588)
Net cash flows from/(used in) investing activities		**249 113**	**(459 789)**
Net increase/(decrease) in cash and cash equivalents		334 991	(112 443)
Cash and cash equivalents — beginning of year		485 352	597 795
Cash and cash equivalents — end of year	Note 7	**820 343**	**485 352**

[a] Restated to conform with the current presentation.

The accompanying notes to the financial statements are an integral part of these financial statements.

Operations of the United Nations as reported in volume I

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2016

(Thousands of United States dollars)

	Publicly available budget[a]				Actual annual revenue and expenditures (budget basis)[b]	Difference (percentage)
	Original biennial	Revised biennial	Original annual	Final annual		
Revenue						
Assessed contributions (net of staff assessment)	4 870 446	5 075 452	2 435 223	2 539 981	2 493 247	-1.8
Staff assessment	486 415	499 539	243 208	235 859	252 039	6.9
General income	41 227	41 642	20 613	20 821	25 334	21.7
Services to the public	3 706	(2 471)	1 853	(1 236)	(1 467)	18.7
Total revenue	5 401 794	5 614 162	2 700 897	2 795 425	2 769 153	-0.9
Expenditure						
Regular budget						
Overall policymaking, direction and coordination	735 550	747 897	371 411	374 593	372 348	-0.6
Political affairs	1 380 540	1 485 199	695 073	716 012	686 578	-4.1
International justice and law	94 821	107 354	47 747	59 584	60 678	1.8
International cooperation for development	464 598	476 403	232 668	238 979	237 319	-0.7
Regional cooperation for development	542 600	550 982	270 736	270 821	259 229	-4.3
Human rights and humanitarian affairs	359 775	387 451	182 380	193 348	185 212	-4.2
Public information	188 022	187 562	93 678	93 469	92 256	-1.3
Common support services	589 119	594 820	296 993	299 519	294 351	-1.7
Internal oversight	40 214	40 148	20 118	20 092	20 319	1.1
Jointly financed administrative activities and special expenses	164 693	164 749	81 752	81 755	73 699	-9.9
Capital expenditures	97 091	109 776	64 865	65 470	58 774	-10.2
Security and safety	234 295	238 283	117 563	119 711	123 149	2.9
Development account	28 399	28 399	28 399	28 399	28 399	0.0
Staff assessment	482 077	495 139	230 355	233 673	251 029	7.4
Subtotal, regular budget	5 401 794	5 614 162	2 733 738	2 795 425	2 743 340	-1.9
Other publicly available budgets						
Capital master plan		Not applicable	59 249	62 953	62 135	-1.3
Total Expenditure	5 401 794	5 614 162	2 792 987	2 858 378	2 805 475	-1.9
Net Total			(92 090)	(62 953)	(36 322)	

(Footnotes to table on the following page)

A/72/5 (Vol. I)

(Footnotes to table)

[a] The original budget for the biennium 2016–2017 is the appropriations and income estimates approved by the General Assembly for the biennium in resolution 70/248 A and B. The original annual budget is the portion of the initial appropriations and income estimates allocated to 2016. The final budget reflects the original budget plus any adjustments reflected in the revised appropriations and income estimates approved by the General Assembly in resolution 71/272 A and B. The relevant element of assessed contributions is recognized as revenue at the beginning of each year in the biennium.

[b] Actual annual expenditure includes outstanding commitments of $105.9 million for the regular budget and $19.2 million for the capital master plan.

[c] Actual expenditure (budget basis) less final budget. Material differences greater than 10 per cent are considered in note 6, Comparison to budget.

The accompanying notes to the financial statements are an integral part of these financial statements.

Operations of the United Nations as reported in volume I

Notes to the 2016 financial statements

Note 1
Reporting entity

The United Nations and its activities

1. The United Nations is an international organization founded in 1945 after the Second World War. The Charter of the United Nations, which was signed on 26 June 1945 and became effective on 24 October 1945, sets out the primary objectives of the United Nations as follows:

(a) The maintenance of international peace and security;

(b) The promotion of international economic and social progress and development programmes;

(c) The universal observance of human rights;

(d) The administration of international justice and law.

2. These objectives are implemented through the major organs of the United Nations, as follows:

(a) The General Assembly focuses on a wide range of political, economic and social issues, as well as financial and administrative aspects of the Organization;

(b) The Security Council is responsible for various aspects of peacekeeping and peacebuilding, including efforts to resolve conflicts, restore democracy, promote disarmament, provide electoral assistance, facilitate post-conflict peacebuilding, engage in humanitarian activities to ensure the survival of groups deprived of basic needs, and oversee the prosecution of persons responsible for serious violations of international humanitarian law;

(c) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems;

(d) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

3. The United Nations has its headquarters in New York. It has major offices in Geneva, Vienna and Nairobi, and peacekeeping and political missions, economic commissions, tribunals, training institutes and other centres around the world.

Operations of the United Nations as reported in volume I

4. The present financial statements relate to the operations of the United Nations as reported in volume I, a separate financial reporting entity of the United Nations for the purposes of IPSAS-compliant reporting. The operations of the United Nations, as reported in volume I, comprise the core operations of the Secretariat and are under the direction of the General Assembly in its role as lead organ for the financial and administrative aspects of the United Nations. The core operations of the Secretariat are funded by the regular budget, which has a unique scale of assessments and budgetary process, by trust funds established by the Assembly or the Secretary-

General, which supplement the activities of the regular budget, or by special accounts or funds established to facilitate mandate implementation by the Secretary-General in his role as Chief Administrative Officer of the United Nations.

5. The reporting entity — the operations of the United Nations as reported in volume I — is regarded as an autonomous reporting entity that, owing to the uniqueness of the governance and budgetary process of each of the reporting entities of the United Nations, neither controls nor is controlled by any other United Nations financial reporting entity. Therefore, consolidation is not applicable to the operations of the United Nations and its financial statements include only its activities as reported in volume I.

6. However, given the existence of a joint venture between the United Nations and the World Trade Organization for the International Trade Centre (ITC), and the significant influence of the United Nations over the operations of ITC, the United Nations has accounted for its investment in ITC using the equity method of accounting. The Organization participates in a number of jointly financed activities with other United Nations system organizations. The Organization's share of those activities is also included in the financial statements using the equity method.

7. The United Nations regular budget includes an assessed portion of the budget of other United Nations reporting entities, comprising the United Nations Environment Programme, the United Nations Office on Drugs and Crime, the United Nations Human Settlements Programme, the United Nations Relief and Works Agency for Palestine Refugees in the Near East, the Office of the United Nations High Commissioner for Refugees and the United Nations Entity for Gender Equality and the Empowerment of Women. Those amounts are accounted for as grants in volume I.

8. The financial statements comprise activities managed through various funds, as follows:

(a) **General Fund and related funds.** The General Fund relates to regular budget activities and related funds consist of the Special Account and the Working Capital Fund;

(b) **General trust funds.** General trust funds are established to record the receipt of voluntary contributions to support various activities, including emergency assistance, political, economic and social development and humanitarian and human rights activities and those that relate to security issues, international justice and law, public information and support services;

(c) **Capital funds.** Capital funds include capital assets and construction-in-progress funds at various locations worldwide. Major projects under these funds are the refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva; the finalization of the capital master plan relating to the refurbishment of the New York Headquarters; renovation of Africa Hall at ECA in Addis Ababa; seismic retrofitting of the secretariat building of the Economic and Social Commission for Asia and the Pacific (ESCAP) in Bangkok and the blast mitigation project at ESCWA in Beirut;

(d) **Tax Equalization Fund.** The Tax Equalization Fund was established to equalize the net pay of all staff members, whatever their national tax obligations;

(e) **End-of-service and post-retirement benefits.** Such funds were established to account for end-of-service liabilities in respect of benefits payable to staff separating from service and comprise after-service health insurance, repatriation benefits and unused annual leave;

(f) **Other funds.** These comprise self-insurance funds; special accounts for administrative cost recoveries; common support services; conferences and conventions; special multi-year funds accounting for supplementary development activities; and other funds.

Note 2
Basis of preparation and authorization for issue

Basis of preparation

9. In accordance with the Financial Regulations and Rules of the United Nations, these financial statements have been prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS). They have been prepared on a going-concern basis and the accounting policies have been applied consistently in their preparation and presentation. In accordance with the requirements of IPSAS, the financial statements, which present fairly the assets, liabilities, revenue and expenses of the Organization, consist of the following:

(a) Statement of financial position (statement I);

(b) Statement of financial performance (statement II);

(c) Statement of changes in net assets (statement III);

(d) Statement of cash flows (using the indirect method) (statement IV);

(e) Statement of comparison of budget and actual amounts (statement V);

(f) Notes to the financial statements comprising a summary of significant accounting policies and other explanatory notes;

(g) Comparative information in respect of all amounts presented in the financial statements indicated in (a) to (e) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

Going concern

10. The going-concern assertion is based on the approval by the General Assembly of the regular budget appropriations for the biennium 2016-2017 and the programme budget outline for the biennium 2018-2019, the positive historical trend of collection of assessed and voluntary contributions over the past years and the fact that the Assembly has taken no decision to cease the operations of the United Nations.

Authorization for issue

11. These financial statements are certified by the Controller and approved by the Secretary-General. In accordance with financial regulation 6.2, the Secretary-General transmitted the financial statements as at 31 December 2016 to the Board of Auditors by 31 March 2017. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the

Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements authorized for issue on 30 July 2017.

Measurement basis

12. These financial statements are prepared using the historical-cost convention, except for real estate assets (other than prefabricated buildings) in special political missions that are recorded at depreciated replacement cost and financial assets recorded at fair value through surplus or deficit.

Functional and presentation currency

13. The functional currency and the presentation currency of the Organization is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

14. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. The United Nations operational rates of exchange approximate the spot rates prevailing at the dates of the transactions. At year-end, monetary assets and liabilities denominated in foreign currencies are translated at the United Nations operational rates of exchange. Non-monetary foreign currency denominated items that are measured at fair value are translated at the United Nations operational rate of exchange at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year-end.

15. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimation

16. Materiality is central to the preparation and presentation of the Organization's financial statements and its materiality framework provides a systematic method in guiding accounting decisions relating to presentation, disclosure, aggregation, offsetting and retrospective versus prospective application of changes in accounting policies. In general, an item is considered material if its omission or its aggregation would have an impact on the conclusions or decisions of the users of the financial statements.

17. Preparing financial statements in accordance with IPSAS requires use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenues and expenses.

18. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include: actuarial measurement of employee benefits; selection of useful lives and the depreciation/amortization methods for property, plant and equipment/intangible assets; impairment of assets; classification of financial instruments; valuation of inventory; inflation and discount

rates used in the calculation of the present value of provisions; and classification of contingent assets/liabilities.

International Public Sector Accounting Standards transitional provisions

19. IPSAS 17: Property, plant and equipment, allows a transitional period of up to five years for the full recognition of capitalized property, plant and equipment. The Organization invoked the transitional provision and has not recognized assets where reliable data is in the process of being collected.

Future accounting pronouncements

20. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the Organization's financial statements continues to be monitored:

(a) Public sector specific financial instruments: to develop this accounting guidance, the project will focus on issues related to public sector specific financial instruments which are outside the scope of IPSAS 28: Financial instruments: presentation, IPSAS 29: Financial instruments: recognition and measurement, and IPSAS 30: Financial instruments: disclosures;

(b) Heritage assets: the objective of the project is to develop accounting requirements for heritage assets;

(c) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

(d) Revenue: the scope of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts, and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers);

(e) Consequential amendments arising from chapters 1-4 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: this project's objective is to make revisions to IPSAS standards that reflect concepts from these chapters, in particular the objectives of financial reporting and the qualitative characteristics and constraints on information;

(f) Leases: the objective of the project is to develop revised requirements for lease accounting covering both lessees and lessors in order to maintain alignment with the underlying International Financial Reporting Standard. The project will result in a new IPSAS that will replace IPSAS 13. Approval of a new IPSAS on leases is projected for June 2018 with publication in July 2018.

Future requirements of the International Public Sector Accounting Standards

21. On 30 January 2015, the IPSAS Board published six new standards: IPSAS 33: First-time adoption of accrual basis IPSASs, IPSAS 34: Separate financial statements, IPSAS 35: Consolidated financial statements, IPSAS 36: Investments in associates and joint ventures, IPSAS 37: Joint arrangements, and IPSAS 38: Disclosure of interests in other entities. Initial application of these standards is required for periods beginning on or after 1 January 2017. IPSAS 33 has no impact

on the Organization, which adopted IPSAS with effect from 1 January 2014 for non-peacekeeping operations before the issue of the standard.

22. In July 2016 the IPSAS Board issued IPSAS 39, repealing IPSAS 25: Employee benefits, to align it with the underlying International Accounting Standard, IAS 19, Employee benefits; and on 31 January 2017, the IPSAS Board published IPSAS 40: Public sector combinations, which prescribes the accounting treatment for public sector combinations and sets out the classification and measurement of public sector combinations, i.e. transactions or other events that bring two or more separate operations into a single public sector entity.

23. The impact of these standards on the Organization's financial statements and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 34	The requirements for separate financial statements in IPSAS 34 are very similar to the current requirements in IPSAS 6: Consolidated and separate financial statements. The introduction of IPSAS 34 is not expected to affect the United Nations financial statements reported in volume I.
IPSAS 35	IPSAS 35 still requires that control be assessed having regard to benefits and power, but the definition of control has changed and the standard now provides considerably more guidance on assessing control. Management is assessing the United Nations volume I interests in other reporting entities and arrangements to ensure compliance with the revised definitions. The other key change introduced by IPSAS 35 is the elimination of the IPSAS 6 exemption from consolidation of temporarily controlled entities. The Organization's financial statements for periods beginning on or after 1 January 2017 will include such an assessment.
IPSAS 36	A key change introduced by IPSAS 36 is the elimination of the IPSAS 7 exemption from application of the equity method where joint control or significant influence is temporary; preparation of financial statements for periods beginning on or after 1 January 2017 will include an assessment of such arrangements. Furthermore, the scope of IPSAS 36 is limited to entities that are investors with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. The applicability of IPSAS 36 to the United Nations as reported in volume I is therefore limited, as interests generally do not involve a quantifiable ownership interest.
IPSAS 37	IPSAS 37 introduces new definitions and has a significant impact on the way joint arrangements are classified and accounted for. These financial statements include joint venture arrangements accounted for using the equity method.

Standard	*Anticipated impact in the year of adoption*
	Where these are formed under a binding agreement and assessed as being subject to joint control, they meet the IPSAS 37 definition of a joint arrangement. When assessed as being a joint venture, that is, the United Nations volume I interest gives rise to rights over net assets, IPSAS 37 requires the equity method to be used and this will not represent a change in accounting policy. If there are rights to assets and obligations for liabilities, the interest is classified as a joint operation and the United Nations as reported in volume I will account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IPSAS standard applicable to the particular assets, liabilities, revenues and expenses. The United Nations is working with the other participants in these arrangements in developing its accounting policies under IPSAS 37.
IPSAS 38	IPSAS 38 increases the extent of disclosures required for interest in other entities and has a significant impact on the United Nations volume I financial statements.
IPSAS 39	Currently, IPSAS 39 will have no impact on the Organization since the "corridor method" on actuarial gains or losses, which is being eliminated, has never been applied since the inception of IPSAS adoption in 2014. The Organization does not have any plan assets; therefore there is no impact from application of the net interest approach prescribed by the standard. Further analysis will be carried out in the future should the Organization procure plan assets.
IPSAS 40	There is currently no impact on the Organization from the application of IPSAS 40 as to date there are no public sector combinations. Any such impact of IPSAS 40 on the Organization's financial statements will be evaluated for application by the Organization by 1 January 2018, the effective date of the standard should such combinations occur.

Note 3
Significant accounting policies

Financial assets classification

24. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. The Organization classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date.

Classification	*Financial assets*
Fair value through surplus or deficit	Investments in cash pools and the United Nations Staff Mutual Insurance Society against Sickness and Accident
Loans and receivables	Cash and cash equivalents and receivables

25. All financial assets are initially measured at fair value. The Organization initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade

date, which is the date on which the Organization becomes party to the contractual provisions of the instrument.

26. Financial assets with maturities in excess of 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

27. Financial assets at fair value through surplus or deficit are those that have been designated in this category at initial recognition, are held for trading or are acquired principally for the purpose of selling in the short term. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the year in which they arise.

28. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value, plus transaction costs, and are subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

29. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

30. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Organization has transferred substantially all risks and rewards of the financial asset. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Investment in cash pools

31. The United Nations Treasury invests funds pooled from Secretariat entities and other participating entities. These pooled funds are combined in two internally managed cash pools. Participation in a cash pool implies sharing the risk and returns on investments with the other participants. Given that the funds are commingled and invested on a pool basis, each participant is exposed to the overall risk of the investment portfolio to the extent of the amount of cash invested.

32. The Organization's investments in the cash pools are included as part of cash and cash equivalents, short-term investments and long-term investments in the statement of financial position depending on the maturity period of the investment.

Cash and cash equivalents

33. Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments with a maturity of three months or less from the date of acquisition.

Receivables from non-exchange transactions: contributions receivable

34. Contributions receivable represent uncollected revenue from assessed and voluntary contributions committed to the Organization by Member States, non-member States and other donors on the basis of enforceable agreements. These non-exchange receivables are stated at nominal value, except for voluntary contributions receivable that will mature in more than 12 months, less impairment for estimated irrecoverable amounts, i.e. the allowance for doubtful receivables. If deemed material, these long-term voluntary contribution receivables are reported at a discounted value calculated using the effective interest method. Voluntary contribution receivables, trade receivables and other receivables are subject to general allowance provisions in addition to provisioning based on specific identification and review of accounts receivable. The general allowance provisions are 25 per cent for receivables outstanding longer than 12 months, 60 per cent for receivables outstanding longer than 24 months and 100 per cent for receivables outstanding longer than 36 months. For assessed contributions receivable, the allowance for doubtful receivables is calculated as follows:

(a) Receivables from Member States that are subject to Article 19 of the Charter of the United Nations on voting rights restrictions in the General Assembly because of arrears equalling or exceeding the amount of the contributions due from them for the preceding two full years and that are past due in excess of two years: 100 per cent allowance;

(b) Receivables that are past due in excess of two years for which the General Assembly has granted special treatment as regards payment (unpaid assessed contributions by China that were transferred to a special account pursuant to General Assembly resolution 36/116 A, and unpaid assessed contributions of the former Yugoslavia): 100 per cent allowance;

(c) Receivables that are past due in excess of two years for which Member States have specifically contested the balance: 100 per cent allowance. Any contested amount outstanding for less than two years will be disclosed in the notes to the financial statements;

(d) For receivables with approved payment plans, no allowance for doubtful debt will be established, but disclosures will be made in the notes to the financial statements.

Receivables from exchange transactions: other receivables

35. Other receivables include primarily amounts receivable for goods or services provided to other entities, amounts receivable for leased-out assets and receivables from staff. Receivables from other United Nations reporting entities are also included in this category. Material balances of other receivables are subject to specific review and an allowance for doubtful receivables is assessed on the basis of recoverability and ageing following the general allowance provisions applied to voluntary contributions receivable.

Investments accounted for using the equity method

36. The equity method initially records an interest in a jointly controlled entity at cost and is adjusted thereafter for the post-acquisition changes in the Organization's share of net assets. The Organization's share of the surplus or deficit of the investee

is recognized in the statement of financial performance. The interest is recorded as a non-current asset unless there is a net liability position, in which case it is recorded as a non-current liability.

Other assets

37. Other assets include education grant advances and prepayments that are recorded as an asset until goods are delivered or services are rendered by the other party, at which point the expense is recognized.

Inventories

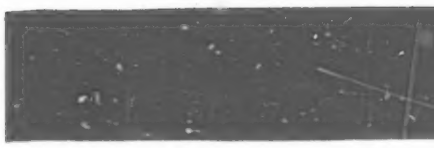
38. Inventory balances are recognized as current assets and include the categories set out below.

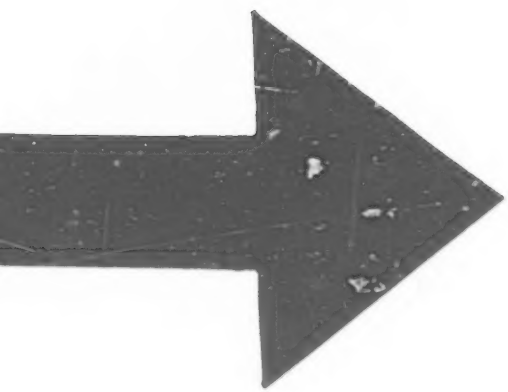
Categories	*Subcategories*
Held for sale or external distribution	Books and publications, stamps
Raw materials and work in progress associated with items held for sale or external distribution	Construction materials/supplies, work in progress
Strategic reserves	Fuel reserves, bottled water and rations reserves
Consumables and supplies	Material holdings of consumables and supplies, including spare parts and medicines

39. The cost of inventory in stock is determined using the average price cost basis. The cost of inventories includes the cost of purchase, plus other costs incurred in bringing the items to the destination and condition for use. Inventory acquired through non-exchange transactions, i.e. donated goods, are measured at fair value at the date of acquisition. Inventories held for sale are valued at the lower of cost and net realizable value. Inventories held for distribution at no or nominal charge or for consumption in the production of goods or services are valued at the lower of cost and current replacement cost.

40. The carrying amount of inventories is expensed when inventories are sold, exchanged, distributed externally or consumed by the Organization. Net realizable value is the net amount that is expected to be realized from the sale of inventories in the ordinary course of operations. Current replacement cost is the estimated cost that would be incurred to acquire the asset.

41. Holdings of consumables and supplies for internal consumption are capitalized in the statement of financial position only when material. Such inventories are valued by the periodic weighted average or the moving average methods based on records available in the inventory management systems, such as Galileo and Umoja, which are validated through the use of thresholds, cycle counts and enhanced internal controls. Valuations are subject to impairment review, which takes into consideration the variances between moving average price valuation and current replacement cost, as well as slow-moving and obsolete items.





42. Inventories are subject to physical verification based on value and risk as assessed by management. Valuations are net of write-downs from cost to current replacement cost/net realizable value, which are recognized in the statement of financial performance.

Heritage assets

43. Heritage assets are not recognized in the financial statements, but significant heritage assets transactions are disclosed in the notes thereto.

Property, plant and equipment

44. Property, plant and equipment are classified into different groups, based on their nature, functions, useful lives and valuation methodologies, such as vehicles; communications and information technology equipment; machinery and equipment; furniture and fixtures; and real estate assets (land, buildings, leasehold improvements, infrastructure and assets under construction). Recognition of property, plant and equipment is as follows:

(a) Property, plant and equipment are capitalized when their cost per unit is greater than or equal to the threshold of $20,000, or $100,000 for leasehold improvements and self-constructed assets. A lower threshold of $5,000 applies to five commodity groups: vehicles; prefabricated buildings; satellite communication systems; generators; and network equipment;

(b) All property, plant and equipment, other than real estate assets, are stated at historical cost, less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs;

(c) Owing to the absence of historical cost information, buildings and infrastructure real estate assets were initially recognized at fair value using a depreciated replacement cost methodology for initial IPSAS implementation. The method involves calculating the cost per unit of measurement, for example cost per square metre, by collecting construction cost data, utilizing in-house cost data (where available) or using external cost estimators for each catalogue of real estate assets and multiplying that unit cost by the external area of the asset to obtain the gross replacement cost. Depreciation allowance deductions from the gross replacement cost to account for physical, functional and economic use of the assets have been made to determine the depreciated replacement cost of the assets. With the exception of real estate assets located in the special political missions, any subsequent real estate additions are recognized at historical cost;

(d) With regard to property, plant and equipment acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost to acquire equivalent assets.

45. Property, plant and equipment are depreciated over their estimated useful lives using the straight-line method up to their residual value, except for land and assets under construction, which are not subject to depreciation. Given that not all components of a building have the same useful lives or the same maintenance, upgrade or replacement schedules, significant components of owned buildings are depreciated using the component approach. Depreciation begins in the month in

which the Organization gains control over an asset in accordance with international commercial terms and no depreciation is charged in the month of retirement or disposal. Given the expected pattern of usage of property, plant and equipment, the residual value is nil unless residual value is likely to be significant. The estimated useful lives of property, plant and equipment classes are set out below.

Class	*Subclass*	*Estimated useful life*
Communications and information technology equipment	Information technology equipment	4 years
	Communication and audiovisual equipment	7 years
Vehicles	Light-wheeled vehicles	6 years
	Heavy-wheeled and engineering support vehicles	12 years
	Specialized vehicles, trailers and attachments	6 to 12 years
	Marine vessels	10 years
Machinery and equipment	Light engineering and construction equipment	5 years
	Medical equipment	5 years
	Security and safety equipment	5 years
	Mine detection and clearing equipment	5 years
	Accommodation and refrigeration equipment	6 years
	Water treatment and fuel distribution equipment	7 years
	Transportation equipment	7 years
	Heavy engineering and construction equipment	12 years
	Printing and publishing equipment	20 years
Furniture and fixtures	Library reference material	3 years
	Office equipment	4 years
	Fixtures and fittings	7 years
	Furniture	10 years
Buildings	Temporary and mobile buildings	7 years
	Fixed buildings, depending on the type	25, 40 or 50 years
	Major exterior, roofing, interior and services/utilities components, where component approach is utilized	20 to 50 years
	Finance lease or donated right-to-use buildings	Shorter of term of arrangement or life of building

Class	*Subclass*	*Estimated useful life*
Infrastructure assets	Telecommunications, energy, protection, transport, waste and water management, recreation, landscaping	Up to 50 years
Leasehold improvements	Fixtures, fittings and minor construction work	Shorter of lease term or 5 years

46. In exceptional cases, the recorded useful lives for some assets may be different from the useful lives prescribed at the asset subclass level as set out above (although it would remain within the range at asset class level), because when preparing the 2014 IPSAS opening balance a thorough review of the remaining economic useful lives for these assets was made and the result had been entered in the master record of the asset.

47. Where there is a material cost value of fully depreciated assets that are still in use, adjustments to accumulated depreciation are incorporated into the financial statements to reflect a residual value of 10 per cent of historical cost based on an analysis of the classes and useful lives of the fully depreciated assets.

48. The Organization chose the cost model for measurement of property, plant and equipment after initial recognition instead of the revaluation model. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to the Organization and the subsequent cost exceeds the threshold for initial recognition. Repairs and maintenance are expensed in the statement of financial performance in the year in which they are incurred.

49. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises when proceeds from disposal or transfer differ from its carrying amount. Those gains or losses are recognized in the statement of financial performance as part of other revenue or other expenses.

50. Impairment assessments are conducted during annual physical verification procedures and when events or changes in circumstance indicate that carrying amounts may not be recoverable. Land, buildings and infrastructure assets with a year-end, net-book-value greater than $500,000 per unit are reviewed for impairment at each reporting date. The equivalent threshold for other property, plant and equipment items (excluding assets under construction and leasehold improvements) is $25,000.

Intangible assets

51. Intangible assets are carried at cost, less accumulated amortization and accumulated impairment loss. For intangible assets acquired at nil or nominal cost, including donated assets, the fair value at the date of acquisition is deemed to be the cost of the asset. The thresholds for recognition are $100,000 per unit for internally generated intangible assets and $20,000 per unit for externally acquired intangible assets.

52. Acquired computer software licences are capitalized on the basis of costs incurred to acquire and bring into use the specific software. Development costs that are directly associated with the development of software for use by the Organization

are capitalized as an intangible asset. Directly associated costs include software development employee costs, consultants costs and other applicable overhead costs. Intangible assets with finite useful lives are amortized on a straight-line method, starting from the month of acquisition or when they become operational. The useful lives of major classes of intangible assets have been estimated as shown below.

Class	*Range of estimated useful life*
Licences and rights	2-6 years (period of licence/right)
Software acquired externally	3-10 years
Software developed internally	3-10 years
Copyrights	3-10 years
Assets under development	Not amortized

53. Annual impairment reviews of intangible assets are conducted where assets are under development or have an indefinite useful life. Other intangible assets are subject to impairment review only when indicators of impairment are identified.

Financial liabilities: classification

54. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfers payable, unspent funds held for future refunds and other liabilities such as balances payable to other United Nations system reporting entities. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. The Organization re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

Financial liabilities: accounts payable and accrued liabilities

55. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for at the reporting date. Payables are recognized and subsequently measured at their nominal value because they are generally due within 12 months.

Advance receipts and other liabilities

56. Advance receipts and other liabilities consist of payments received in advance relating to exchange transactions, liabilities for conditional funding arrangements and other deferred revenue.

Leases

The Organization as "lessee"

57. Leases of property, plant and equipment where the Organization has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the start of the lease at the lower of fair value or the

present value of the minimum lease payments. The rental obligation, net of finance charges, is reported as a liability in the statement of financial position. Assets acquired under finance leases are depreciated in accordance with property, plant and equipment policies. The interest element of the lease payment is charged to the statement of financial performance as an expense over the lease term on the basis of the effective interest rate method.

58. Leases where all of the risks and rewards of ownership are not substantially transferred to the Organization are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance as an expense on a straight-line basis over the term of the lease.

The Organization as "lessor"

59. The Organization often leases out assets under operating leases. Leased-out assets are reported under property, plant and equipment, and lease revenue is recognized in the statement of financial performance over the term of the lease on a straight-line basis.

Donated right to use

60. Land, buildings, infrastructure assets, machinery and equipment are frequently granted to the Organization, primarily by host Governments at nil or nominal cost, through donated right-to-use arrangements. These arrangements are accounted for as operating leases or finance leases depending on whether an assessment of the agreement indicates that control over the underlying assets is transferred to the Organization.

61. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the financial statements. Where a donated right-to-use arrangement is treated as a finance lease (principally with a lease term of over 35 years for premises), the fair market value of the property is capitalized and depreciated over the shorter of the useful life of the property or the term of the arrangement. In addition, a liability for the same amount is recognized, which is progressively recognized as revenue over the lease term. Donated right-to-use land arrangements are accounted for as operating leases where the Organization does not have exclusive control over the land and/or title to the land is transferred under restricted deeds.

62. Where title to land is transferred to the Organization without restrictions, the land is accounted for as donated property, plant and equipment and recognized at fair value at the acquisition date.

63. The threshold for the recognition of revenue and expense is a yearly rental value equivalent of $20,000 per unit for donated right-to-use premises and $5,000 per unit for machinery and equipment.

Employee benefits

64. Employees comprise staff members, as described under Article 97 of the Charter of the United Nations, whose employment and contractual relationship with the Organization are defined by a letter of appointment subject to regulations promulgated by the General Assembly pursuant to Article 101, paragraph 1, of the

Charter. Employee benefits are classified into short-term benefits, long-term benefits, post-employment benefits and termination benefits.

Short-term employee benefits

65. Short-term employee benefits are employee benefits (other than termination benefits) that are payable within 12 months after the end of the year in which the employee renders the related services. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily/weekly/monthly benefits (wages, salaries and allowances), compensated absences (paid sick leave, maternity/paternity leave) and other short-term benefits (death grant, education grant, reimbursement of taxes and home leave travel) provided to current employees on the basis of services rendered. All such benefits that are accrued but not paid at the reporting date are recognized as current liabilities within the statement of financial position.

Post-employment benefits

66. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and a pension through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

67. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the Organization (other long-term benefits). Defined-benefit plans are those where the Organization's obligation is to provide agreed benefits and therefore the Organization bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. The Organization has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. As at the end of the reporting year, the Organization held no plan assets as defined by IPSAS 25: Employee benefits.

68. The defined-benefit obligations are calculated by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

69. **After-service health insurance**. Worldwide coverage for medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. Upon end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of the United Nations, provided that they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and five years for those recruited before that date. The after-service health insurance liability represents the present value of the share of the Organization's medical insurance costs for retirees and the post-retirement benefit

accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions from all plan participants in determining the Organization's residual liability. Contributions from retirees are deducted from the gross liability together with a portion of the contributions from active staff to arrive at the Organization's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

70. **Repatriation benefits**. Upon end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based upon length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the Organization and is measured as the present value of the estimated liability for settling these entitlements.

71. **Annual leave**. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled via a monetary payment to employees upon their separation from the Organization. The United Nations recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in-first-out assumption in the determination of the annual leave liabilities, whereby staff members access current period leave entitlements before they access accumulated annual leave balances relating to prior periods. Effectively, the accumulated annual leave benefit is accessed more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at end of service as the true liability of the Organization. The accumulated annual leave benefit reflecting the outflow of economic resources from the Organization at end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled via monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 25: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, the United Nations values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Pension plan: United Nations Joint Staff Pension Fund

72. The Organization is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the United Nations General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

73. Participation in the Pension Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. The Fund and the Organization, like other

participating organizations, are not in a position to identify the Organization's proportionate share of the defined-benefits obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, the Organization has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The Organization's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

Termination benefits

74. Termination benefits are recognized as an expense only when the Organization is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

Other long-term employee benefits

75. Other long-term employee benefit obligations are benefits, or portions of benefits, that are not due to be settled within 12 months after the end of the year in which employees provide the related service. Accumulated annual leave is an example of long-term employee benefits.

76. **Appendix D benefits**. Appendix D to the Staff Rules of the United Nations governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations. Actuaries value these liabilities, and changes in the liability, excluding actuarial gains and losses, are recognized in the statement of financial performance.

Provisions

77. Provisions are liabilities recognized for future expenditure of uncertain amount or timing. A provision is recognized if, as a result of a past event, the Organization has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount of the provision is the best estimate of the expenditures expected to be required to settle the present obligation at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

78. Uncommitted balances of the appropriations at the end of the budget period and expired balances of appropriations retained from prior periods are to be reported as provisions for credits to Member States. These provisions will remain until the General Assembly decides the manner of their disposal.

Contingent liabilities

79. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Organization are disclosed as

contingent liabilities. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

80. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that such an outflow will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, where it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

81. An indicative threshold of $10,000 applies in recognizing provisions and/or disclosing contingent liabilities in the notes to the financial statements.

Contingent assets

82. Contingent assets are possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of the Organization. Contingent assets are disclosed in the notes when it is more likely than not that economic benefits will flow to the Organization.

Commitments

83. Commitments are future expenses to be incurred by the Organization with respect to open contracts which the Organization has minimal, if any, discretion to avoid in the ordinary course of operations. Commitments include capital commitments (the amount of contracts for capital expenses that are not paid or accrued by the reporting date), contracts for the supply of goods and services that are not delivered as at the end of the reporting period, non-cancellable minimum lease payments and other non-cancellable commitments.

Non-exchange revenue

Assessed contributions

84. Appropriations are financed by contributions from Member States that are assessed according to the scale of assessments determined by the General Assembly. These assessments are subject to adjustments in respect of, among other things, supplementary appropriations for which contributions have not previously been assessed, revenue attributable to Member States, contributions resulting from the assessment of new Member States, any uncommitted balance of the appropriations at the end of the budget period and expired balances of the appropriations retained from prior periods that are due to be surrendered to Member States, and credits in the Tax Equalization Fund not required to meet charges for tax reimbursements. Appropriations for the regular budget are approved and assessed for a two-year budget period; the relevant portion of assessed contributions is recognized as revenue at the beginning of each year in the biennium.

Voluntary contributions

85. Voluntary contributions and other transfers that are supported by legally enforceable agreements are recognized as revenue at the time when the agreement becomes binding, which is the point when the Organization is deemed to acquire control of the asset. However, when cash is received subject to specific conditions, recognition of revenue is deferred until those conditions have been satisfied. Revenue will be recognized up front for all conditional arrangements up to the threshold of $50,000.

86. The full amounts relating to unconditional multi-year voluntary contribution agreements, pledges and other promised donations are recognized as revenue when the arrangement becomes binding, except for the Junior Professional Officer programme and fundraising activities conducted by another party, such as contributions from the United Nations Foundation to the United Nations Fund for International Partnerships (UNFIP). In the case of the Junior Professional Officer programme, revenue is recognized in the period that the Junior Professional Officer provides service, and in the case of United Nations Foundation contributions to UNFIP, the revenue is recognized when a cash disbursement authorization is received. Unused funds returned to the donors are netted against voluntary contributions.

87. Revenue received under inter-organizational arrangements represents allocations of funding from agencies to enable the Organization to administer projects or other programmes on their behalf.

88. In-kind contributions of goods above the recognition threshold of $20,000 (per discrete contribution) are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the Organization and the fair value of those assets can be measured reliably. For vehicles, prefabricated buildings, satellite communication systems, generators and network equipment, a lower threshold of $5,000 applies. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The Organization has elected not to recognize in-kind contributions of services, but to disclose in-kind contributions of service above the threshold of $20,000 per discrete contribution in the notes to the financial statements.

Exchange revenue

89. Exchange transactions are those in which the Organization sells goods or services in exchange for compensation. Revenue comprises the fair value of consideration received or receivable for the sale of goods and services. Revenue is recognized when it can be reliably measured, when the inflow of future economic benefits is probable and when specific criteria have been met, as follows:

(a) Revenue from sales of publications, books and stamps and from sales by the United Nations Gift Centre is recognized when the sale occurs and risks and rewards have been transferred;

(b) Revenue from commissions and fees for technical, procurement, training, administrative and other services rendered to Governments, United Nations entities and other partners is recognized when the service is performed;

(c) Exchange revenue also includes revenue from the rental of premises, the sale of used or surplus property, guided tours and net currency exchange gains.

90. An indirect cost recovery called a "programme support cost" is charged to trust funds as a percentage of direct costs including commitments and other "extrabudgetary" activities to ensure that the additional costs of supporting activities financed from extrabudgetary contributions are not borne by assessed funds and/or other core resources of the Secretariat. The programme support cost is eliminated for the purposes of financial statement preparation, as disclosed in note 5, Segment reporting. The funding for the programme support cost charge agreed upon with the donor is included as part of voluntary contributions.

Investment revenue

91. Investment revenue includes the Organization's share of net cash pool revenue and other interest revenue. The net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sale proceeds and book value. Transaction costs that are directly attributable to the investment activities are netted against revenue and the net revenue is distributed proportionately to all cash pool participants on the basis of their average daily balances. The cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

92. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment.

93. Employee salaries include international, national and general temporary staff salaries, post adjustment and staff assessment. The allowances and benefits include other staff entitlements, such as pension and insurance subsidies and staff assignment, repatriation, hardship and other allowances. Non-employee compensation and allowances consists of living allowances and post-employment benefits for United Nations Volunteers, consultant and contractor fees, ad hoc experts, International Court of Justice judges' allowances and non-military personnel compensation and allowances.

94. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities, as well as quick-impact projects. For outright grants, an expense is recognized at the point at which the Organization has a binding obligation to pay.

95. Supplies and consumables relate to the cost of inventory used and expenses for supplies and consumables.

96. Other operating expenses include acquisition of goods and intangible assets under capitalization thresholds, maintenance, utilities, contracted services, training, security services, shared services, rent, insurance, allowance for bad debt and foreign exchange losses. Other expenses relate to contributions in kind, hospitality and official functions, donations and transfers of assets.

97. Programmatic activities, distinct from commercial or other arrangements where the United Nations expects to receive equal value for funds transferred, are implemented by the United Nations or executing entities or implementing partners to service a target population that typically includes Governments, non-governmental organizations and United Nations agencies. Transfers to implementing partners are fully expensed when disbursed. Binding agreements to fund executing entities or implementing partners, other than outright grants, not paid out by the end of the reporting period are shown as commitments in the notes to the financial statements.

Joint ventures

98. A joint venture is a contractual arrangement whereby the Organization and one or more parties undertake an economic activity that is subject to joint control and can be classified under IPSAS 8: Interests in joint ventures, using three methods:

(a) Jointly controlled entities, which the Organization recognizes using the equity method;

(b) Jointly controlled operations, which are accounted for by recognizing the liabilities and expenses incurred by the Organization, the assets that it controls and its share of any revenue earned;

(c) Jointly controlled assets, where the Organization recognizes its share of the assets, any liabilities that it has incurred, its share of joint liabilities, its share of expenses incurred by the joint venture and revenue earned from the sale or use of its share of the output from the joint venture.

99. The Organization has also entered into joint-venture arrangements for jointly financed operations that give the Organization significant influence, that is, the power to participate in financial and operating policy decisions but not control or jointly control those activities. Under IPSAS 8, the interests in those activities are accounted for using the equity method.

Multi-partner trust funds

100. Multi-partner trust fund activities are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities.

101. They are assessed to determine the existence of control and whether the Organization is considered to be the principal of the programme or activity. Where control exists and the Organization is exposed to the risks and rewards associated with the multi-partner trust fund activities, such programmes or activities are considered to be the Organization's operations and are therefore reported in full in the financial statements.

102. Where joint control exists but the Organization is not considered to be the principal, the activities are considered jointly controlled operations and accounted for as described above.

Note 4
Prior-period reclassifications and adjustments

103. For the following material prior-period reclassifications and adjustments, where there is an impact relating to 2015, the 2015 comparative figures at the individual line item were restated, as summarized in the table below.

104. Accounts payable to United Nations staff members are presented as employee benefits liabilities, but previously were presented as accounts payable. The effect of this reclassification is a decrease of $38.6 million in accounts payable and the corresponding increase in employee benefits liabilities within current liabilities. Furthermore, an updated actuarial valuation report as at 31 December 2016 has led to a restatement of the defined-benefits liabilities reported at 31 December 2015 from $4,083.9 million to $4,135.1 million, an increase of $51.2 million reported as actuarial losses.

105. Liabilities under the conditional arrangements for the European Union previously disclosed as advance receipts are now presented as other current and non-current liabilities in the amount of $59.7 million and $9.7 million, respectively.

106. To conform with the current presentation, a subsidy for after-service health insurance (previously reported as non-employee compensation and allowances) in the amount of $62.7 million has been restated as employee salaries, allowances and benefits.

107. An allocation expense in the amount of $8.5 million has been reclassified from other operating expenses to grants and other transfers.

108. There is no impact on the overall financial position and performance of the Organization as a result of the reclassifications described above. The effect of the increase in actuarial losses of $51.2 million is an increase in employee benefits liabilities and a corresponding decrease in net assets.

(Thousands of United States dollars)

	As reported 31 December 2015	*Prior-period reclassifications/ adjustments*	*As restated 31 December 2015*
Statement of financial position extract			
Current liabilities			
Accounts payable and accrued liabilities	485 712	(38 568)	447 144
Advance receipts	82 918	(59 654)	23 264
Employee benefits liabilities	200 153	40 446	240 599
Other liabilities	11 504	59 654	71 158
Non-current liabilities			
Advance receipts	9 696	(9 696)	–
Employee benefits liabilities	3 980 172	49 346	4 029 518
Other liabilities	74 699	9 696	84 395
Total net assets	2 498 804	(51 224)	2 447 580

	As reported 31 December 2015	*Prior-period reclassifications adjustments*	*As restated 31 December 2015*
Statement of financial performance extract			
Expenses			
Employee salaries, allowances and benefits	2 564 948	(62 742)	2 502 206
Non-employee compensation and allowances	64 158	62 742	126 900
Grants and other transfers	1 313 357	8 485	1 321 842
Other operating expenses	746 692	(8 485)	738 207
Statement of changes in net assets extract			
Changes in net assets			
Actuarial gains/(losses) on employee benefits liabilities	810 130	(51 224)	758 906
Statement of cash flows extract			
Non-cash movements			
Actuarial (loss)/gain on employee benefits liabilities	810 130	(51 224)	758 906
Changes in liabilities			
Increase/(decrease) in employee benefits liabilities	(567 283)	51 224	(516 059)

Note 5
Segment reporting

109. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and to make decisions about the future allocation of resources.

110. In order to provide details on how the Organization's activities are managed and financed, segment reporting information by fund group for the statement of financial performance and the statement of financial position is presented through seven segments as follows.

Segment	*Activities in segment*
Regular budget and related funds	Activities relating to regular budget activities, the Working Capital Fund, the Special Account and the revenue producing funds.
Trust funds	Activities relating to trust funds, including emergency assistance, political, economic and social development and humanitarian and human rights activities and those that relate to security issues, international justice and law, public information and support services.

Segment	*Activities in segment*
Capital assets and construction-in-progress	Capital assets and construction-in-progress funds at various locations worldwide. Major projects under these funds are the refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva; the finalization of the capital master plan relating to the refurbishment of the New York Headquarters; renovation of Africa Hall at ECA in Addis Ababa; seismic retrofitting of the secretariat building at ESCAP in Bangkok and the blast mitigation project at ESCWA in Beirut.
Common support services	Provision of finance, human resources, information and communications technology and support services to support United Nations operations, projects and fund activities.
Long-term employee benefits	Activities relating to end-of-service and post-employment benefits comprising after-service health insurance coverage, repatriation benefits and commutation of unused annual leave days.
Insurance/workers' compensation	Accounts for activities with regard to the various health, dental and life insurance plans and compensation for general liability of the United Nations.
Other	All other funds, including the United Nations Development Account, the Tax Equalization Fund and conventions.
Eliminations	Inter-fund allocations between various segments that are eliminated upon consolidation of the funds of the Organization, i.e. the financial reporting entity. Among eliminated values are programme support costs allocated to recoup administrative costs relating to administering extrabudgetary activities. In addition, allocations from regular budget activities to subactivities in other funds are eliminated as expenses of the regular budget against revenues of other funds.

111. Segment reporting information by fund group is supplemented by segment reporting on the performance by pillar, which is presented on the basis of 11 pillars as follows.

Segment	*Activities in segment*
Political and peacekeeping affairs	Maintain international peace and security by providing assistance to resolve potentially violent disputes or conflicts peacefully; support efforts in areas of disarmament and non-proliferation; promote the peaceful uses of outer space; and support the maintenance of peace and security through the deployment of peacekeeping operations.
International justice and law	Advise the principal and subsidiary organs of the United Nations and promote among Member States a better understanding of and respect for the principles and norms of international law.

Segment	*Activities in segment*
Cooperation and development	Promote and support international and regional cooperation and development in the pursuit of sustained economic growth, the eradication of poverty and hunger, development of trade, gender equality and empowerment of women, and sustainable human settlements in an urbanizing world.
Human rights and humanitarian affairs	Promote and protect the effective enjoyment by all of all human rights by making development equitable, sustainable and responsive to the needs of people and ensure the timely, coherent and coordinated response of the international community to disasters and emergencies and ensure the provision of international protection to refugees.
Public information and communications	Provide global communication about the ideals and work of the United Nations; interact and partner with diverse audiences; and build support for peace, development and human rights for all.
Environmental affairs	Contribute to the well-being of current and future generations and the attainment of global environmental goals, centring on transition to low-carbon, resource-efficient and equitable development based on the protection and sustainable use of ecosystem services, coherent and improved environmental governance and the reduction of environmental risks.
Security and safety	Provide leadership, operational support and oversight of the United Nations security management system.
Crime prevention	Work with Member States to enhance their efforts to combat the intertwined problems of transnational crime, corruption and terrorism by helping to create and strengthen legislative, judicial and health systems to safeguard some of the most vulnerable persons in society.
Common support services	Provide finance, human resources, information and communications technology and support services to support United Nations operations, projects and fund activities.
Other	Consists of General Assembly and Economic and Social Council affairs and conference management, to ensure effective and efficient decision-making processes of intergovernmental bodies and United Nations conferences. Also includes internal oversight functions encompassing the responsibilities of monitoring, internal audit, joint inspection and evaluation and investigations.
Self-insurance plans and other insurance plans	Accounts for activities with regard to the various health, dental and life insurance plans and compensation for general liability of the United Nations. Health and dental self-insurance were established as part of the social security scheme for United Nations staff and retirees and for the coverage of general third-party liabilities.

Segment	*Activities in segment*
Eliminations	Comprises inter-fund allocations between various segments that are eliminated upon consolidation of funds of the Organization, i.e. the financial reporting entity. Among eliminated values are programme support costs allocated to recoup administrative costs relating to administering extrabudgetary activities. In addition, allocations from regular budget activities to subactivities in other funds are eliminated as expenses of the regular budget against revenues of other funds.

112. Inter-segment transactions are priced at cost recovery under normal operating policies and are eliminated for the purposes of segment reporting preparation.

All funds

Statement of financial position by fund group as at 31 December 2016

(Thousands of United States dollars)

	Regular budget and related funds	*Trust funds*	*Capital assets and construction in progress*	*Common support services*	*Long-term employee benefits*	*Insurance workers compensation*	*Other*	*Eliminations*	*Total*
Assets									
Current assets									
Cash and cash equivalents	63 204	417 504	27 160	83 443	21 793	160 481	46 758	–	820 343
Investments	107 031	738 392	48 090	147 735	38 585	266 216	82 788	–	1 428 837
Assessed contributions receivable	276 121	–	24	–	–	–	–	–	276 145
Voluntary contributions receivable	349	393 919	–	300	–	2	566	–	395 136
Other receivables	48 409	9 227	1	64 663	–	20 670	1 807	–	144 777
Inventories	19 570	–	–	116	–	–	–	–	19 686
Other assets	52 009	218 046	557	3 432	35	5 410	879	–	280 368
Total current assets	**566 693**	**1 777 088**	**75 832**	**299 689**	**60 413**	**452 779**	**132 798**	**–**	**3 365 292**
Non-current assets									
Investments	51 538	355 553	23 156	71 137	18 580	181 341	39 864	–	741 169
Voluntary contributions receivable	–	434 545	–	17	–	1	–	–	434 563
Property, plant and equipment	302 311	20 956	2 802 562	3 022	–	–	–	–	3 128 851
Intangible assets	2 367	2 248	97 193	2 795	–	189	48	–	104 840
Share of joint ventures accounted for using the equity method	2 107	–	1 072	–	–	–	–	–	3 179
Total non-current assets	**358 323**	**813 302**	**2 923 983**	**76 971**	**18 580**	**181 531**	**39 912**	**–**	**4 412 602**
Total assets	**925 016**	**2 590 390**	**2 999 815**	**376 660**	**78 993**	**634 310**	**172 710**	**–**	**7 777 894**
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	270 877	48 111	10 466	22 391	43	15 505	5 125	–	372 518
Advance receipts	24 621	11 956	63	5 021	–	–	–	–	41 661
Employee benefits liabilities	43 152	10 924	417	2 962	135 160	23 210	182	–	216 007
Provisions	123 063	181	–	–	–	82 975	–	–	206 219

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance workers compensation*	*Other*	*Eliminations*	*Total*
Tax equalization liability	–	–	–	–	–	–	74 795	–	74 795
Other liabilities	1 339	65 210	3 691	–	–	–	3 893	–	74 133
Total current liabilities	**463 052**	**136 382**	**14 637**	**30 374**	**135 203**	**121 690**	**83 995**	**–**	**985 333**
Non-current liabilities									
Employee benefits liabilities	18 287	–	–	–	4 203 758	12 112	–	–	4 234 157
Provisions	392	–	–	–	–	–	–	–	392
Share of joint ventures accounted for using the equity method	102 051	–	–	–	–	–	–	–	102 051
Other liabilities	685	5 676	69 168	–	–	–	–	–	75 529
Total non-current liabilities	**121 415**	**5 676**	**69 168**	**–**	**4 203 758**	**12 112**	**–**	**–**	**4 412 129**
Total liabilities	**584 467**	**142 058**	**83 805**	**30 374**	**4 338 961**	**133 802**	**83 995**	**–**	**5 397 462**
Net of total assets and total liabilities	**340 549**	**2 448 332**	**2 916 010**	**346 286**	**(4 259 968)**	**500 508**	**88 715**	**–**	**2 380 432**
Net assets									
Accumulated surplus (deficit)	340 549	2 448 332	2 916 010	346 286	(4 259 968)	442 957	88 715	–	2 322 881
Reserves	–	–	–	–	–	57 551	–	–	57 551
Total net assets	**340 549**	**2 448 332**	**2 916 010**	**346 286**	**(4 259 968)**	**500 508**	**88 715**	**–**	**2 380 432**

Statement of financial position by fund group as at 31 December 2015 (restated)

(Thousands of United States dollars)

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance workers' compensation*	*Other*	*Eliminations*	*Total*
Assets									
Current assets									
Cash and cash equivalents	18 833	252 756	25 451	56 220	11 251	91 706	29 135	–	485 352
Investments	54 022	773 589	78 486	173 368	34 695	241 733	89 847	–	1 445 740
Assessed contributions receivable	389 272	–	34	–	–	–	–	–	389 306
Voluntary contributions receivable	–	384 164	–	60	–	–	74	–	384 298
Other receivables	44 374	9 564	–	25 924	–	15 601	2 330	(537)	97 256
Inventories	17 833	–	–	194	–	–	–	–	18 027
Other assets	69 408	240 879	569	1 418	–	21 949	86	(4 211)	330 098
Total current assets	**593 742**	**1 660 952**	**104 540**	**257 184**	**45 946**	**370 989**	**121 472**	**(4 748)**	**3 150 077**
Non-current assets									
Investments	30 755	518 700	52 663	116 326	23 280	234 982	60 286	–	1 036 992
Voluntary contributions receivable	–	199 403	–	–	–	–	–	–	199 403
Property, plant and equipment	322 678	14 836	2 876 882	1 741	–	–	–	–	3 216 137
Intangible assets	2 557	2 215	118 116	2 633	–	99	–	–	125 620
Share of joint ventures accounted for using the equity method	1 881	–	1 188	–	–	–	–	–	3 069
Total non-current assets	**357 871**	**735 154**	**3 048 849**	**120 700**	**23 280**	**235 081**	**60 286**	**–**	**4 581 221**
Total assets	**951 613**	**2 396 106**	**3 153 389**	**377 884**	**69 226**	**606 070**	**181 758**	**(4 748)**	**7 731 298**

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance workers' compensation*	*Other*	*Eliminations*	*Total*
Liabilities									
Current liabilities									
Accounts payable and accrued liabilities	306 907	81 442	24 082	36 034	63	6 732	–	(8 116)	447 144
Advance receipts	17 620	4 285	–	1 356	–	3	–	–	23 264
Employee benefits liabilities	42 011	11 125	812	2 430	139 674	30 116	11 063	3 368	240 599
Provisions	121 225	181	15 115	–	–	76 428	–	–	212 949
Tax equalization liability	–	–	–	–	–	–	96 011	–	96 011
Other liabilities	977	59 767	4 007	28	–	1 743	4 636	–	71 158
Total current liabilities	**488 740**	**156 800**	**44 016**	**39 848**	**139 737**	**115 022**	**111 710**	**(4 748)**	**1 091 125**
Non-current liabilities									
Employee benefits liabilities	18 304	575	–	–	3 997 022	13 617	–	–	4 029 518
Provisions	317	–	–	–	–	–	–	–	317
Share of joint ventures accounted for using the equity method	78 363	–	–	–	–	–	–	–	78 363
Other liabilities	1 893	10 124	72 378	–	–	–	–	–	84 395
Total non-current liabilities	**98 877**	**10 699**	**72 378**	**–**	**3 997 022**	**13 617**	**–**	**–**	**4 192 593**
Total liabilities	**587 617**	**167 499**	**116 394**	**39 848**	**4 136 759**	**128 639**	**111 710**	**(4 748)**	**5 283 718**
Net of total assets and total liabilities	**363 996**	**2 228 607**	**3 036 995**	**338 036**	**(4 067 533)**	**477 431**	**70 048**	**–**	**2 447 580**
Net assets									
Accumulated surplus (deficit)	363 996	2 228 607	3 036 995	338 036	(4 067 533)	418 660	70 048	–	2 388 809
Reserves	–	–	–	–	–	58 771	–	–	58 771
Total net assets	**363 996**	**2 228 607**	**3 036 995**	**338 036**	**(4 067 533)**	**477 431**	**70 048**	**–**	**2 447 580**

Statement of financial performance by fund group for the period ended 31 December 2016

(Thousands of United States dollars)

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance workers' compensation*	*Other*	*Eliminations*	*Total*
Revenue									
Assessed contributions	2 769 852	–	–	–	–	–	–	–	2 769 852
Voluntary contributions	45 912	2 286 840	15 638	7 026	–	–	2 391	–	2 357 807
Other transfers and allocations	57	97 306	85 084	262	–	–	28 399	(168 142)	42 966
Investment revenue	2 595	13 774	1 009	2 316	509	1 790	795	(4)	22 784
Contributions for self-insurance funds	37	–	–	1	–	528 036	–	(193 485)	334 589
Other revenue	45 056	4 263	29 884	281 311	12 419	12 018	6 840	(213 791)	178 000
Total revenue	**2 863 509**	**2 402 183**	**131 615**	**290 916**	**12 928**	**541 844**	**38 425**	**(575 422)**	**5 705 998**
Expenses									
Employee salaries, allowances and benefits	1 887 364	392 523	20 650	130 474	158 517	14 913	2 218	(207 042)	2 399 617
Non-employee compensation/allowances	69 831	60 198	1 927	3 896	–	–	5 031	(437)	140 446
Grants and other transfers	275 106	1 415 512	9 957	18 457	–	–	2 358	(168 147)	1 553 243
Supplies and consumables	32 570	12 511	8 428	1 774	–	5	3	(62)	55 229
Depreciation and amortization	41 023	4 793	167 053	824	–	18	18	–	213 729
Impairment	1 082	–	–	–	–	–	–	–	1 082
Travel	68 278	65 637	363	4 788	–	–	5 662	(1 736)	142 992
Other operating expenses	406 941	230 708	44 107	121 967	42	23 987	4 467	(197 847)	634 372
Self-insurance claims and expenses	1 418	21	–	–	–	479 990	3	(30)	481 402
Finance costs	121	–	–	–	–	–	–	–	121
Contributions to and share of deficit of joint ventures on an equity basis	89 125	–	67	–	–	–	–	–	89 192
Other expenses	5 090	555	–	484	–	52	–	(121)	6 060
Total expenses	**2 877 949**	**2 182 458**	**252 552**	**282 664**	**158 559**	**518 965**	**19 760**	**(575 422)**	**5 717 485**
Surplus/(deficit) for the year	**(14 440)**	**219 725**	**(120 937)**	**8 252**	**(145 631)**	**22 879**	**18 665**	**–**	**(11 487)**

Statement of financial performance by fund group for the period ended 31 December 2015 (restated)

(Thousands of United States dollars)

	Regular budget and related funds	*Trust funds*	*Capital assets and construction-in-progress*	*Common support services*	*Long-term employee benefits*	*Insurance workers' compensation*	*Other*	*Eliminations*	*Total*
Revenue									
Assessed contributions	2 811 278	–	–	–	–	–	–	–	2 811 278
Voluntary contributions	39 229	2 030 027	15 938	5 258	–	–	3 426	–	2 093 878
Other transfers and allocations	1	53 795	286 999	28 966	–	165	60 396	(255 527)	174 795
Investment revenue	3 179	8 296	111	1 237	–	2 820	23	(4)	15 662
Contribution to self-insurance funds	49	–	–	589	–	522 819	–	(166 551)	356 906
Other revenue	50 033	3 558	406	231 934	8 347	6 064	4 739	(132 359)	172 722
Total revenue	**2 903 769**	**2 095 676**	**303 454**	**267 984**	**8 347**	**531 868**	**68 584**	**(554 441)**	**5 625 241**
Expenses									
Employee salaries, allowances and benefits	1 913 696	370 172	22 352	126 185	213 993	10 024	6 546	(160 762)	2 502 206
Non-employee compensation/allowances	77 772	55 835	–	–	–	1 830	3 954	(12 491)	126 900
Grants and other transfers	290 681	1 137 944	–	16 473	–	2	4 917	(128 175)	1 321 842
Supplies and consumables	27 407	8 151	6 619	6 679	–	3	13	(28)	48 844
Depreciation and amortization	46 602	4 829	154 927	977	–	6	–	–	207 341
Impairment	473	311	280	1	–	–	–	–	1 065
Travel	46 327	55 831		2 798	–	14	3 514	(1 668)	106 816
Other operating expenses	529 211	217 317	36 728	121 520	10	21 099	61 408	(249 086)	738 207
Self-insurance claims and expenses	167	15	–	–	1 561	461 175	–	(1 243)	461 675
Finance costs	184	–	–	–	–	–	–	–	184
Contributions to and share of deficit of joint ventures on an equity basis	95 450	–	444	3	–	–	–	–	95 897
Other expenses	2 255	392	–	504	–	–	–	(988)	2 163
Total expenses	**3 030 225**	**1 850 797**	**221 350**	**275 140**	**215 564**	**494 153**	**80 352**	**(554 441)**	**5 613 140**
Surplus/(deficit) for the year	**(126 456)**	**244 879**	**82 104**	**(7 156)**	**(207 217)**	**37 715**	**(11 768)**	**–**	**12 101**

17-11472

Statement of financial performance by pillar for the period ended 31 December 2016

(Thousands of United States dollars)

	Political and peacekeeping affairs	*International justice and law*	*Cooperation and development*	*Human rights and humanitarian affairs*	*Public information and communications*	*Environmental affairs*	*Security and safety*	*Crime prevention*	*Common support services*	*Other*	*Self-insurance plans and other insurance plans*	*Eliminations*	*Total*
Revenue													
Assessed contributions	766 093	61 387	663 868	188 560	101 464	–	133 201	28 460	826 819	–	–	–	2 769 852
Voluntary contributions	294 150	4 806	380 261	1 554 146	2 004	652	2 375	224	24 183	95 006	–	–	2 357 807
Other transfers and allocations	2 809	261	51 601	69 186	30	100	–	–	85 404	1 717	–	(168 142)	42 966
Investment revenue	3 162	75	4 244	7 325	79	35	39	802	4 460	268	2 299	(4)	22 784
Contributions for self-insurance funds	31	–	6	–	–	–	–	–	1	–	528 036	(193 485)	334 589
Other revenue	5 226	20	4 396	3 430	1 075	–	13	–	353 184	10	24 437	(213 791)	178 000
Total revenue	**1 071 471**	**66 549**	**1 104 376**	**1 822 647**	**104 652**	**787**	**135 628**	**29 486**	**1 294 051**	**97 001**	**554 772**	**(575 422)**	**5 705 998**
Expenses													
Employee salaries, allowances and benefits	520 333	36 452	566 101	349 360	93 866	1 966	103 929	3 658	747 912	9 652	173 430	(207 042)	2 399 617
Non-employee compensation/allowances	50 255	7 065	41 250	24 748	1 124	562	142	1 497	12 536	1 704	–	(437)	140 446
Grants and other transfers	87 616	15 150	112 308	1 368 858	–	614	3 002	29 893	70 437	33 512	–	(168 147)	1 553 243
Supplies and consumables	31 002	215	2 658	3 997	332	6	1 110	2	15 862	102	5	(62)	55 229
Depreciation and amortization	28 606	170	2 214	4 493	190	–	417	–	177 451	170	18	–	213 729
Impairment	1 082	–	–	–	–	–	–	–	–	–	–	–	1 082
Travel	33 493	3 168	48 462	35 894	1 528	430	2 474	1 087	14 956	3 236	–	(1 736)	142 992
Other operating expenses	201 206	4 120	86 113	138 272	12 742	1 818	4 730	2 565	332 835	23 789	24 029	(197 847)	634 372
Self-insurance claims and expenses	2	6	1 430	–	–	–	–	–	4	–	479 990	(30)	481 402
Finance costs	–	–	–	–	–	–	–	–	121	–	–	–	121
Contributions to and share of deficit of joint ventures on an equity basis	–	–	36 608	–	–	–	25 131	–	27 453	–	–	–	89 192
Other expenses	418	27	637	68	53	99	53	6	4 697	71	52	(121)	6 060
Total expenses	**954 013**	**66 373**	**897 781**	**1 925 690**	**109 835**	**5 495**	**140 988**	**38 708**	**1 404 264**	**72 236**	**677 524**	**(575 422)**	**5 717 485**
Surplus/(deficit) for the year	**117 458**	**176**	**206 595**	**(103 043)**	**(5 183)**	**(4 708)**	**(5 360)**	**(9 222)**	**(110 213)**	**24 765**	**(122 752)**	**–**	**(11 487)**

Statement of financial performance by pillar for the period ended 31 December 2015 (restated)

(Thousands of United States dollars)

	Political and peacekeeping affairs	*International justice and law*	*Cooperation and development*	*Human rights and humanitarian affairs*	*Public information and communications*	*Environmental affairs*	*Security and safety*	*Crime prevention*	*Common support services*	*Other*	*Self-insurance plans and other insurance plans*	*Unallocated*[a]	*Eliminations*	*Total*
Revenue														
Assessed contributions	724 386	32 078	550 546	235 858	103 092	20 924	132 464	682	1 011 248	–	–	–	–	2 811 278
Voluntary contributions	189 640	2 438	185 930	1 612 426	8 627	7 795	3 444	662	24 967	57 949	–	–	–	2 093 878
Other transfers and allocations	6 050	–	34 287	12 062	–	635	–	–	376 362	761	165	–	(255 527)	174 795
Investment revenue	2 053	57	2 976	4 385	31	39	1	488	2 584	204	2 763	85	(4)	15 662
Contributions for self-insurance funds	4	–	3	1	1	–	1	–	593	–	522 819	35	(166 551)	356 906
Other revenue	8 652	375	5 679	6 202	2 074	182	1 387	5	266 027	87	14 411	–	(132 359)	172 722
Total revenue	**930 785**	**34 948**	**779 421**	**1 870 934**	**113 825**	**29 575**	**137 297**	**1 837**	**1 681 781**	**59 001**	**540 158**	**120**	**(554 441)**	**5 625 241**
Expenses														
Employee salaries, allowances and benefits	527 820	26 699	487 613	378 042	92 413	3 239	107 878	3 289	802 108	7 143	224 017	2 707	(160 762)	2 502 206
Non-employee compensation/allowances	36 236	3 179	53 865	21 785	384	805	247	982	18 960	1 117	1 831	–	(12 491)	126 900
Grants and other transfers	102 176	1 047	94 073	1 033 104	2 308	21 948	–	–	147 579	47 929	2	–	(128 324)	1 321 842
Supplies and consumables	33 183	–	3 588	1 066	439	6	955	–	8 796	106	3	730	(28)	48 844
Depreciation and amortization	27 195	71	3 675	5 624	123	–	201	–	170 436	10	6	–	–	207 341
Impairment	310	–	–	488	–	–	–	–	267	–	–	–	–	1 065
Travel	21 280	996	34 802	38 411	579	284	719	894	8 971	1 017	14	517	(1 668)	106 816
Other operating expenses	183 883	5 160	92 040	182 216	15 455	2 493	7 722	2 315	468 062	6 838	21 109	–	(249 086)	738 207
Self-insurance claims and expenses	–	–	48	–	–	–	–	–	119	15	462 736	–	(1 243)	461 675
Finance costs	–	–	–	–	–	–	–	–	184	–	–	–	–	184
Contributions to and share of deficit of joint ventures on an equity basis	–	–	18 647	–	–	–	34 919	–	42 331	–	–	–	–	95 897
Other expenses	466	175	723	108	53	–	122	–	936	59	–	510	(989)	2 163
Total expenses	**932 549**	**37 327**	**789 074**	**1 660 844**	**111 754**	**28 775**	**152 763**	**7 480**	**1 668 749**	**64 234**	**709 718**	**4 464**	**(554 591)**	**5 613 140**
Surplus/(deficit) for the year	**(1 764)**	**(2 379)**	**(9 653)**	**210 090**	**2 071**	**800**	**(15 466)**	**(5 643)**	**13 032**	**(5 233)**	**(169 560)**	**(4 344)**	**150**	**12 101**

[a] Relates to Headquarters-related activities that cannot be directly allocated to any specific segment in an identifiable manner.

Note 6
Comparison to budget

113. The statement of comparison of budget and actual amounts (statement V) presents the difference between budget amounts, which are prepared on a modified cash basis, and actual revenue and expenditure on a comparable basis.

114. Approved budgets are those that permit expenses to be incurred, including income estimates, and are approved by the General Assembly. For IPSAS reporting purposes, approved budgets are the appropriations and income estimates authorized by Assembly resolutions.

115. The original budget for the biennium 2016-2017 is the budget approved by the General Assembly for the biennium on 23 December 2015 in resolution 70/249 A to C. The revised budget represents revised appropriations and income estimates for the biennium 2016-2017 approved by the General Assembly in resolution 71/273 A to C. The original 2016 annual budget is the portion of the initial appropriations and income estimates allocated to 2016, as indicated by the programme managers who have the authority and responsibility to do so in the budget process. The final 2016 annual budget reflects the original budget plus any adjustments reflected in the revised appropriations and income estimates approved by the Assembly for the biennium 2016-2017. Actual revenue and expenditure amounts are all the commitments and actual amounts incurred in the period on a budget basis.

116. Explanations for material differences between the original and final budget amounts, as well as material differences between the final budget amounts and actual revenue and expenditure on a modified cash basis, which are deemed to be those greater than 10 per cent, are considered below.

Budget part	*Material differences greater than 10 per cent*
General income	Actual amounts reflect revenue posted for 2016, to be further aligned with the estimated income budget for the biennium 2016-2017.
Services to the public	The difference between the original and final budget is primarily attributable to lower than anticipated revenues from: (a) sales of philatelic items both at Headquarters and in Vienna; (b) sales of printed publications; (c) bookings of guided tours at Headquarters; and (d) the temporary suspension of royalty payments from the vendor for Headquarters catering operations as part of an interim agreement. Actual amounts reflect net revenue posted for 2016, to be further aligned with the estimated income budget for the biennium 2016-2017.
International justice and law	The difference between the original and final annual budget primarily relates to General Assembly approval of appropriations for subventions to the international component of the Extraordinary Chambers in the Courts of Cambodia and to the Residual Special Court for Sierra Leone (resolution 71/272). The difference between the final budget and actual expenditure (budget basis) has a non-material variance.

Budget part	*Material differences greater than 10 per cent*
Capital expenditures	The difference between the final annual budget and actual expenditure primarily relates to delays in the procurement process for construction projects during 2016, the majority of which have been or will be awarded in 2017. The difference between the original and final annual budget has a non-material variance.

Reconciliation between actual amounts on a comparable basis and the statement of cash flows

117. The reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows is reflected below.

Reconciliation of actual amounts on a comparable basis to statement of cash flows, 2016
(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amounts on a comparable basis (statement V)	**(2 805 475)**	–	**(2 805 475)**
Basis differences	(42 934)	(86 397)	**(129 331)**
Entity differences	(2 802 719)	–	**(2 802 719)**
Presentation differences	5 737 006	335 510	**6 072 516**
Actual amounts in statement of cash flows (statement IV)	**85 878**	**249 113**	**334 991**

Reconciliation of actual amounts on a comparable basis to statement of cash flows, 2015 (restated)
(Thousands of United States dollars)

	Operating	*Investing*	*Total*
Actual amounts on a comparable basis	**(2 889 688)**	–	**(2 889 688)**
Basis differences	218 302	(50 732)	**167 570**
Entity differences	(2 606 509)	–	**(2 606 509)**
Presentation differences	5 625 241	(409 057)	**5 216 184**
Actual amounts in statement of cash flows (statement IV)	**347 346**	**(459 789)**	**(112 443)**

118. Basis differences capture the differences resulting from preparing the budget on a modified cash basis. To reconcile the budgetary results to the statement of cash flows, the modified-cash elements such as unliquidated commitments against the budget which do not represent a cash flow, must be eliminated. Similarly, IPSAS-specific differences, such as payments against prior-year commitments and investing cash flows relating to acquisition of property, plant and equipment or intangibles are included as basis differences to reconcile to the statement of cash flows.

119. Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which include the latter not presenting revenue and the net changes in cash pool balances. Other presentation differences are that the amounts included in the statement of comparison of budget and actual amounts are not segregated into operating, investing and financing activities.

120. Entity differences arise when the actual amounts on the budget basis omit programmes or fund groups that are part of the Organization, as reported in the statement of cash flows, or vice versa. Those differences represent cash flows to or from fund groups other than the regular budget and the capital master plan funds that are reported in the financial statements. The financial statements include results for all the Organization's fund groups.

121. Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences as the budget reflects the 2016 proportion of the biennium.

Note 7
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Main pool (notes 30 and 31)[a]	798 955	461 396
Euro pool (notes 30 and 31)	1 577	7 276
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	9 716	10 876
Other cash and cash equivalents	10 095	5 804
Total	**820 343**	**485 352**

[a] Includes non-convertible Syrian pounds equivalent to $0.045 million (2015: $0.047 million).

122. Cash and cash equivalents include trust fund moneys totalling $417.5 million (2015: $252.7 million) held for the specific purposes of the respective trust funds. Similarly, an amount of $122.4 million (2015: $70.0 million) relates to insurance funds relating primarily to restricted moneys held for health and dental self-insurance plans (see note 28).

Note 8
Investments

(Thousands of United States dollars)

	Trust fund investments	*Insurance workers' compensation funds*	*Other investments*	*Total 31 December 2016*
Current				
Main pool (notes 30 and 31)	738 392	251 970	424 229	1 414 591
Euro pool (notes 30 and 31)	–	–	–	–
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	14 246	–	14 246
Subtotal	**738 392**	**266 216**	**424 229**	**1 428 837**
Non-current				
Main pool (notes 30 and 31)	355 553	121 329	204 275	681 157
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	60 012	–	60 012
Subtotal	**355 553**	**181 341**	**204 275**	**741 169**
Total	**1 093 945**	**447 557**	**628 504**	**2 170 006**

(Thousands of United States dollars)

	Trust fund investments	*Insurance workers' compensation funds*	*Other investments*	*Total 31 December 2015*
Current				
Main pool (notes 30 and 31)	773 043	227 562	422 232	1 422 837
Euro pool (notes 30 and 31)	546	1 894	–	2 440
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	12 277	–	12 277
Derivative instruments: currency forward contracts	–	–	8 186	8 186
Subtotal	**773 589**	**241 733**	**430 418**	**1 445 740**
Non-current				
Main pool (notes 30 and 31)	518 700	152 691	283 310	954 701
United Nations Staff Mutual Insurance Society against Sickness and Accident investments (note 30)	–	82 291	–	82 291
Subtotal	**518 700**	**234 982**	**283 310**	**1 036 992**
Total	**1 292 289**	**476 715**	**713 728**	**2 482 732**

123. The principal of three trust funds (trust fund for public awareness on disarmament issues, United Nations Library endowment fund and Sasakawa-UNDRO disaster prevention award endowment fund), amounting to $4.2 million (2015: $4.2 million), remains restricted because it has been set aside and is unavailable for use in the operations of those trust funds. The amounts are invested to generate

investment revenue that is used in the operations of the trust funds. The principal portion of the investment must be kept separately until further advised by the donor.

Note 9
Assessed contributions: receivables from non-exchange transactions

(Thousands of United States dollars)

	31 December 2016	*31 December 2015*
Member States	494 697	593 464
Allowance for doubtful assessed contributions receivable	(218 552)	(204 158)
Total assessed contributions receivable	**276 145**	**389 306**

Note 10
Voluntary contributions: receivables from non-exchange transactions

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2016*
Voluntary contributions	401 367	434 563	835 930
Voluntary contributions in kind	187	–	187
Allowance for doubtful voluntary contributions receivable	(6 418)	–	(6 418)
Total voluntary contributions receivable	**395 136**	**434 563**	**829 699**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2015*
Voluntary contributions	388 885	199 403	588 288
Voluntary contributions in kind	187	–	187
Allowance for doubtful voluntary contributions receivable	(4 774)	–	(4 774)
Total voluntary contributions receivable	**384 298**	**199 403**	**583 701**

124. The non-current voluntary contributions receivable of $434.6 million as at 31 December 2016 represents the discounted value of future year receivables. The comparator for 2015, $199.4 million, is however reported at nominal value as the impact of discounting is considered to be immaterial.

Note 11
Other accounts receivable: receivables from exchange transactions and loans

(Thousands of United States dollars)

	31 December 2016	*31 December 2015[a]*
Loans receivable — loans provided by the Central Emergency Response Fund	8 000	–
Receivables due from peacekeeping operations (note 32)	47 376	47 376
Receivables due from jointly financed activities fund	50 000	10 000
Other accounts receivable	97 319	93 107
Subtotal	**202 695**	**150 483**
Allowance for doubtful receivables due from peacekeeping operations (note 32)	(47 376)	(47 376)
Allowance for doubtful other receivables	(10 542)	(5 851)
Total other receivables	**144 777**	**97 256**

[a] Regrouped to conform with the current presentation.

Loans provided by the Central Emergency Response Fund

125. The General Assembly decided in its resolution 60/124 to upgrade the former Central Emergency Revolving Fund, which provided loans only, to the current Central Emergency Response Fund, incorporating a grant element. During 2016, the loan component of the Central Emergency Response Fund granted two loans of $20.0 million and $8.0 million to the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and to the United Nations Children's Fund (UNICEF), respectively. The loan to UNRWA was fully repaid in 2016 and the $8.0 million loan to UNICEF was outstanding as at 31 December 2016 and is due for repayment in 2017.

Note 12
Inventories

(Thousands of United States dollars)

Inventory reconciliation	*Held for sale*	*Raw materials*	*Strategic reserves*	*Consumables and supplies*	*Total*
Opening inventory as at 1 January 2015	**1 558**	**150**	**1 522**	**16 419**	**19 649**
Purchased in period[a]	1 388	772	155	15 172	17 487
Total inventory available	**2 946**	**922**	**1 677**	**31 591**	**37 136**
Consumption[a]	(1 181)	(835)	(220)	(13 745)	(15 981)
Impairment and write-offs[a]	(151)	–	(1 177)	(1 800)	(3 128)
Total inventory as at 31 December 2015	**1 614**	**87**	**280**	**16 046**	**18 027**
Purchased in period	1 436	75	172	12 593	14 276
Total inventory available	**3 050**	**162**	**452**	**28 639**	**32 303**

Inventory reconciliation	*Held for sale*	*Raw materials*	*Strategic reserves*	*Consumables and supplies*	*Total*
Consumption	(1 030)	(77)	(80)	(11 345)	(12 532)
Impairment and write-offs	(2)	–	(78)	(5)	(85)
Total inventory as at 31 December 2016	**2 018**	**85**	**294**	**17 289**	**19 686**

[a] Regrouped to conform with the current presentation.

Note 13
Other assets

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2016*
Advances to United Nations Development Programme and other United Nations agencies	17 287	–	17 287
Advances to vendors	2 728	–	2 728
Advances to staff	37 408	–	37 408
Advances to military and other personnel	4 674	–	4 674
Deferred charges	7 474	–	7 474
United Nations Development Programme Multi-partner trust fund advances (note 23)	206 690	–	206 690
Other	4 107	–	4 107
Total other assets	**280 368**	**–**	**280 368**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2015*[a]
Advances to United Nations Development Programme and other United Nations agencies	30 940	–	30 940
Advances to vendors	3 127	–	3 127
Advances to staff	36 365	–	36 365
Advances to military and other personnel	1 458	–	1 458
Deferred charges	23 308	–	23 308
United Nations Development Programme Multi-partner trust fund advances (note 23)	232 143	–	232 143
Other	2 757	–	2 757
Total other assets	**330 098**	**–**	**330 098**

[a] Regrouped to conform with the current presentation.

Note 14
Heritage assets

126. Certain assets are categorized as heritage assets because of their cultural, educational or historical significance. The Organization's heritage assets were acquired over many years by various means, including purchase, donation and bequest. There were no significant additions during 2016.

127. Heritage assets are not held to generate any future economic benefits or service potential; accordingly, the Organization elected not to recognize them in the statement of financial position. Significant heritage assets owned by the Organization comprise works of art, statues, monuments, historical buildings and books and maps.

Note 15
Property, plant and equipment

128. In accordance with IPSAS 17, the IPSAS implementation opening balances in the 2014 financial statements for real estate assets (buildings and infrastructure) were initially recognized at depreciated replacement cost, while machinery and equipment, vehicles, furniture and fittings and communication and information technology equipment were valued using historical cost. The useful lives as defined in the United Nations useful life catalogue for each main IPSAS asset class had been used to calculate the depreciation on a straight-line basis. Subsequently, all valuations of property, plant and equipment were measured using historical cost, with the exception of real estate assets (other than prefabricated buildings) in the special political missions where the valuation continues to be on the basis of the depreciated replacement cost because of the need to use the Galileo application to track costs relating to construction projects.

129. The net book value of property, plant and equipment as at 31 December 2016 was $3,128.9 million compared with $3,216.1 million as at 31 December 2015. The total cost of acquisitions and transfers during 2016 was $101.8 million.

130. During the year, the Organization disposed of assets with a total cost of $14.5 million (net book value of $3.5 million) comprising mainly $12.6 million (net book value of $2.4 million) relating to machinery and equipment, furniture and fixtures, vehicles and communications and information technology equipment assets.

131. In the reporting year, there were assets with a total cost of $1.1 million impaired because of various reasons, including $0.578 million leasehold improvement assets in the United Nations Assistance Mission in Somalia (UNSOM) being impaired because of the need to vacate the premises because of extreme security risks. An impairment review of buildings, infrastructure and equipment was conducted and no further impairment was identified, as the assets were still in good condition and in use. There were no known government policies, laws or statutes that would have an impact on the functioning of the buildings.

Assets under construction

132. The opening balance for assets under construction was $40.4 million (2015: $7.1 million) relating primarily to $35.2 million for refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva, $1.4 million for the construction of infrastructure assets in special political missions and leasehold improvements of $1.3 million for the ESCWA

building in Beirut. The strategic heritage plan of the United Nations Office at Geneva has a total projected cost of Swiss francs (SwF) 836.5 million ($844.1 million) as finally adopted by the General Assembly in its resolution 70/248 A. The 2015 and 2016 expenditures were incurred based on Assembly resolutions 69/262 A and 70/248 A, respectively. The project is expected to last until 2023. Starting in 2017, it will be co-financed by an interest-free refundable loan from the Government of Switzerland in an amount of SwF 400 million.

133. During the year, additions of $72.4 million (2015: $62.4 million) were capitalized to assets under construction, relating primarily to the refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva ($43.4 million), the construction of security entrance booths at 42nd and 48th Streets and landscaping at United Nations Headquarters in New York ($15.9 million), where the landscape is being restored to its original condition after the Temporary North Lawn building was demolished, construction of buildings and infrastructure assets in the special political missions ($4.1 million), an electrical system upgrade at the United Nations Office at Nairobi ($2.3 million) and leasehold improvements through the blast mitigation project ($2.5 million) for the ESCWA building in Beirut.

134. Assets under construction totalling $36.3 million (2015: $29.1 million) were completed and became operational, including renovation works of buildings A and E in Geneva as part of the strategic heritage plan ($26.2 million), completion of the first four phases of the blast mitigation project in ESCWA ($3.9 million), construction of accommodation buildings and infrastructure assets in the special political missions ($2.5 million) and installation of fire sprinklers in ESCAP in Bangkok ($1.5 million).

135. Assets under construction at year-end amounting to $76.5 million, compared with $40.4 million in 2015, related primarily to $52.4 million for refurbishment and renovation of the Palais des Nations under the strategic heritage plan of the United Nations Office at Geneva, $15.9 million for the construction of security entrance booths at 42nd and 48th Streets and landscaping at United Nations Headquarters in New York, buildings and infrastructure assets in special political missions of $3.3 million and renovation of Africa Hall at ECA in Addis Ababa of $2.4 million.

136. The objective of the renovation of Africa Hall is to address the inadequacies related to building safety and functionality and to transform Africa Hall into a rejuvenated facility that complies with the highest international standards for conference facilities. By its resolution 70/248 A, section IX, the General Assembly approved the project scope, schedule and maximum overall cost in the amount of $56.9 million for the third to fifth stages of the Africa Hall renovation project, the establishment of a multi-year construction-in-progress account and the appropriation of an amount of $13.4 million under the proposed programme budget for the biennium 2016-2017. The first stage (preparation) and second stage (design) have been completed. The project is expected to be completed in 2021.

Leasehold improvements

137. Pursuant to paragraph 1 (c) of General Assembly resolution 66/249 relating to unforeseen and extraordinary expenses for security measures, the Secretary-General initiated a comprehensive blast assessment of United Nations House in the ESCWA compound in Beirut, for which $5.7 million was appropriated by the Assembly.

Structural remediation work started in 2015. A total amount of $3.9 million had been incurred as at 31 December 2016 and was accounted for as leasehold improvements.

Finance lease assets

138. As at 31 December 2016, the cost of assets under finance leases amounted to $143.4 million ($74.9 million net book value), comprising donated right-to-use assets of $137.8 million at replacement cost ($73.5 million net book value) and a commercial lease costing $5.6 million ($1.4 million net book value). The donated-right-to-use figure represents mainly the $136.2 million cost of the Vienna International Centre ($72.9 million book value) and the commercial lease represents network switches leased with Cisco.

139. The Vienna International Centre comprises a group of buildings on land situated at the edge of the Donaupark in the Donaustadt district of Vienna (22nd district). In 1979, the United Nations Office at Vienna, the International Atomic Energy Agency and the United Nations Industrial Development Organization, subsequently joined by the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization, collectively known as the Vienna-based organizations, entered into a 99-year real estate arrangement with the Government of Austria giving those four United Nations system entities the right to use the Vienna International Centre premises for a nominal rent of 1 Austrian Schilling per year.

140. In line with IPSAS 13, the arrangements for the Vienna International Centre have been determined to be similar to a finance lease and hence capitalized in accordance with IPSAS 17, commencing 1 January 2015. The last valuation was done by PricewaterhouseCoopers on 1 January 2015 and resulted in a depreciated replacement cost of €489.2 million ($596.6 million) for the buildings and a net book value of €288.0 million ($351.2 million). Based on the Building Management Services in Vienna cost-sharing ratio, the United Nations has recognized its 22.76 per cent share of the cost of $135.8 million and $79.9 million net book value of the Vienna International Centre buildings as property, plant and equipment as at 1 January 2015. The useful lives applied to the buildings are based on an agreement among the Vienna-based organizations at the time the valuation report was prepared by PricewaterhouseCoopers. The buildings are depreciated in such a way that the book value remains in line with the valuation report.

141. In accordance with IPSAS 13, the land arrangement in Vienna where the buildings reside is considered to be an operating lease. Consequently, the Organization's share of the fair rental value of the land is expensed in the accounts with an equal amount recognized as non-exchange revenue and booked as a contribution in kind.

142. The Organization also took transitional provisions up to 31 December 2014 for leasehold improvements and all such amounts were expensed as incurred. In 2016, the share of leasehold improvements made to the Vienna International Centre buildings amounting to $1.0 million was capitalized.

Property, plant and equipment: 2016

(Thousands of United States dollars)

	Land	*Buildings*	*Infrastructure*	*Vehicles*	*Communications and information technology equipment*	*Machinery and equipment*	*Furniture and fixtures*	*Assets under construction*	*Leasehold improvements*	***Total***
Cost as at 31 December 2015	**835 698**	**3 722 979**	**278 959**	**159 437**	**159 584**	**51 338**	**4 222**	**40 397**	**1 020**	**5 253 634**
Additions	–	2 323	972	10 353	11 076	2 362	519	72 362	–	**99 967**
Disposals	–	(1 474)	(395)	(2 370)	(7 723)	(2 452)	(48)	–	–	**(14 462)**
Completed assets under construction	–	25 296	2 231	–	4 917	–	–	(36 298)	3 854	–
Transfers	–	(154)	–	1 539	416	63	–	–	–	**1 864**
Cost as at 31 December 2016	**835 698**	**3 748 970**	**281 767**	**168 959**	**168 270**	**51 311**	**4 693**	**76 461**	**4 874**	**5 341 003**
Accumulated depreciation as at 31 December 2015	–	**1 677 801**	**127 615**	**90 975**	**106 525**	**31 819**	**2 661**	–	**101**	**2 037 497**
Depreciation	–	135 096	15 990	12 842	15 857	3 523	351	–	179	**183 838**
Disposals	–	(413)	(363)	(1 659)	(7 143)	(1 385)	(48)	–	–	**(11 011)**
Transfers	–	(1)	–	646	2	99	–	–	–	**746**
Impairment losses	–	–	–	223	255	16	10	–	578	**1 082**
Accumulated depreciation as at 31 December 2016	–	**1 812 483**	**143 242**	**103 027**	**115 496**	**34 072**	**2 974**	–	**858**	**2 212 152**
Net carrying amount										
31 December 2015	835 698	2 045 178	151 344	68 462	53 059	19 519	1 561	40 397	919	3 216 137
31 December 2016	**835 698**	**1 936 487**	**138 525**	**65 932**	**52 774**	**17 239**	**1 719**	**76 461**	**4 016**	**3 128 851**

Property, plant and equipment: 2015

(Thousands of United States dollars)

	Land	*Buildings*	*Infrastructure*	*Vehicles*	*Communications and information technology equipment*	*Machinery and equipment*	*Furniture and fixtures*	*Assets under construction*	*Leasehold improvements*	***Total***
Cost as at 31 December 2014	**835 698**	**3 900 500**	**267 270**	**159 477**	**156 794**	**46 858**	**4 517**	**7 090**	**128**	**5 378 332**
Additions	–	4 409	–	10 248	14 415	5 941	485	62 373	211	**98 082**
Disposals	–	(197 839)	(787)	(17 513)	(12 980)	(1 461)	(780)	–	–	**(231 360)**
Completed assets under construction	–	15 909	12 632	–	–	–	–	(29 066)	525	–
Transfers	–	–	(156)	7 225	1 355	–	–	–	156	**8 580**
Cost as at 31 December 2015	**835 698**	**3 722 979**	**278 959**	**159 437**	**159 584**	**51 338**	**4 222**	**40 397**	**1 020**	**5 253 634**
Accumulated depreciation as at 31 December 2014	**–**	**1 730 034**	**112 174**	**85 395**	**97 555**	**28 141**	**2 517**	**–**	**6**	**2 055 822**
Depreciation	–	125 542	15 944	15 109	18 657	4 738	447	–	95	**180 532**
Disposals	–	(178 030)	(531)	(15 407)	(10 018)	(1 338)	(303)	–	–	**(205 627)**
Transfers	–	–	–	5 495	195	15	–	–	–	**5 705**
Impairment losses	–	255	28	383	136	263	–	–	–	**1 065**
Accumulated depreciation as at 31 December 2015	**–**	**1 677 801**	**127 615**	**90 975**	**106 525**	**31 819**	**2 661**	**–**	**101**	**2 037 497**
Net carrying amount										
31 December 2014	835 698	2 170 466	155 096	74 082	59 239	18 717	2 000	7 090	122	3 322 510
31 December 2015	**835 698**	**2 045 178**	**151 344**	**68 462**	**53 059**	**19 519**	**1 561**	**40 397**	**919**	**3 216 137**

Note 16
Intangible assets

143. All intangible assets acquired before 1 January 2014, except for the capitalized costs associated with the Umoja project, are subject to IPSAS transitional provisions and were not recognized. Umoja is a global, complex, high-value project that serves to modernize a wide range of business processes and systems that are essential to the efficient and effective functioning of the Organization. The solution spans most of the Organization's administrative and support functions, including finance and budget, supply chain and procurement, human resources, central support services, and programme and project management.

144. The total carrying value of the Umoja project as at year-end was $84.3 million (2015: $112.9 million). Umoja-related development costs are capitalized as assets under development until the relevant phase becomes operational, at which time the completed asset under development is transferred to operational intangible assets. Development costs amounting to $1.4 million (2015: $0.030 million) on projects other than Umoja were expensed as they were below the capitalization threshold.

Intangible assets: 2016

(Thousands of United States dollars)

	Umoja	*Other software developed internally*	*Software acquired externally*	*Licences and rights*	*Assets under development*		*Total*
					Umoja	*Other*	
Cost as at 31 December 2015	**171 129**	**5 452**	**565**	**126**	**5 265**	**2 066**	**184 603**
Additions	–	–	239	–	7 655	1 217	**9 111**
Completed assets under development	–	179	–	–	–	(179)	–
Cost as at 31 December 2016	**171 129**	**5 631**	**804**	**126**	**12 920**	**3 104**	**193 714**
Accumulated amortization as at 31 December 2015	**58 277**	**592**	**83**	**31**	**–**	**–**	**58 983**
Amortization	28 579	1 170	121	21	–	–	**29 891**
Accumulated amortization as at 31 December 2016	**86 856**	**1 762**	**204**	**52**	**–**	**–**	**88 874**
Net carrying amount							
31 December 2015	112 852	4 860	482	95	5 265	2 066	**125 620**
31 December 2016	**84 273**	**3 869**	**600**	**74**	**12 920**	**3 104**	**104 840**

Intangible assets: 2015

(Thousands of United States dollars)

	Umoja	*Other software developed internally*	*Software acquired externally*	*Licences and rights*	*Assets under development*		*Total*
					Umoja	*Other*	
Cost as at 31 December 2014	**136 823**	**1 087**	**322**	**126**	**31 075**	**270**	**169 703**
Additions	–	4 169	243	–	8 496	1 992	**14 900**
Completed assets under development	34 306	196	–	–	(34 306)	(196)	–
Cost as at 31 December 2015	**171 129**	**5 452**	**565**	**126**	**5 265**	**2 066**	**184 603**
Accumulated amortization as at 31 December 2014	**32 081**	**60**	**24**	**9**	**–**	**–**	**32 174**
Amortization	26 196	532	59	22	–	–	**26 809**
Accumulated amortization as at 31 December 2015	**58 277**	**592**	**83**	**31**	**–**	**–**	**58 983**
Net carrying amount							
31 December 2014	104 742	1 027	298	117	31 075	270	**137 529**
31 December 2015	**112 852**	**4 860**	**482**	**95**	**5 265**	**2 066**	**125 620**

Note 17
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2016	*31 December 2015 (restated[a])*
Payable to vendors	62 478	40 399
Transfers payable[b]	18 874	13 211
Payable to other United Nations entities	23 665	44 149
Accruals for goods and services	71 071	168 254
Accounts payable – other	45 842	31 131
Subtotal	**221 930**	**297 144**
Payable to Member States	588	–
Working Capital Fund payable to Member States	150 000	150 000
Subtotal	**150 588**	**150 000**
Total accounts payable and accrued liabilities	**372 518**	**447 144**

[a] Regrouped and restated to conform with the current presentation (note 4).
[b] Includes $0.501 million which is due after 31 December 2017.

Working Capital Fund

145. Balances payable to Member States include the $150.0 million (2015: $150.0 million) Working Capital Fund liability. The Fund was established pursuant to General Assembly resolution 80 (I) in 1946. Under current financial regulations, the payables in the Fund represent advances from Member States made in accordance with the scale of assessments as determined by the Assembly for the apportionment of the expenses of the United Nations. In accordance with Assembly resolution 60/283, the level of the Fund was increased to $150.0 million with effect from 1 January 2007. Advances may be made from the Fund to finance budgetary appropriations or unforeseen and extraordinary expenses or for other purposes as authorized by the Assembly.

Note 18
Advance receipts

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2016*
Deferred revenue	17 273	–	17 273
Advance receipts from Member States	24 388	–	24 388
Total advance receipts	**41 661**	–	**41 661**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2015 (restated[a])*
Deferred revenue	6 352	–	6 352
Advance receipts from Member States	16 912	–	16 912
Total advance receipts	**23 264**	**–**	**23 264**

[a] Restated to conform with the current presentation (note 4).

Note 19
Employee benefits liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2016*
After-service health insurance	91 088	3 773 101	3 864 189
Annual leave	16 794	181 366	198 160
Repatriation benefits	25 212	249 291	274 503
Defined end-of-service/post-employment benefits liabilities	**133 094**	**4 203 758**	**4 336 852**
Appendix D/workers' compensation	1 740	30 325	32 065
Insurance liabilities	22 026	–	22 026
Accrued salaries and allowances	59 147	74	59 221
Total employee benefits liabilities	**216 007**	**4 234 157**	**4 450 164**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2015 (restated[a])*
After-service health insurance	83 052	3 576 718	3 659 770
Annual leave	22 877	175 563	198 440
Repatriation benefits	32 714	244 741	276 915
Defined end-of-service/post-employment benefits liabilities	**138 103**	**3 997 022**	**4 135 125**
Appendix D/workers' compensation	36	31 921	31 957
Insurance liabilities	30 021	–	30 021
Accrued salaries and allowances	72 439	575	73 014
Total employee benefits liabilities	**240 599**	**4 029 518**	**4 270 117**

[a] Regrouped and restated to conform with the current presentation and updated actuarial valuation (note 4).

146. The liabilities arising from end-of-service/post-employment benefits and the workers' compensation programme under Appendix D to the Staff Rules of the United Nations are determined by independent actuaries and are established in accordance with the Staff Regulations of the United Nations and Staff Rules. Actuarial valuation is usually undertaken every two years. The most recent full actuarial valuation was conducted as at 31 December 2015.

Actuarial valuation: assumptions

147. The Organization reviews and selects assumptions and methods used by the actuaries in the year-end valuation to determine the expense and contribution requirements for employee benefits. The principal actuarial assumptions used to determine the employee benefits obligations at 31 December 2016 and 31 December 2015 are as follows.

Actuarial assumptions

(Percentage)

Assumptions	*After-service health insurance*	*Repatriation benefits*	*Annual leave*	*Appendix D/workers' compensation*[a]
Discount rates 31 December 2015	3.49	3.67	3.73	
Discount rates 31 December 2016	3.44	3.55	3.61	
Inflation 31 December 2015	4.00-6.4	2.25	–	2.25
Inflation 31 December 2016	4.00-6.0	2.25	–	2.25

[a] For the Appendix D/workers' compensation valuation, the actuaries applied the year-end Citigroup Pension Discount Curves discount rate applicable to the year in which the cash flows take place.

148. Discount rates are based on a weighted blend of three discount rate assumptions based on the currency denomination of the different cash flows: United States dollars (Citigroup Pension Discount Curve), euros (the Ernst & Young Eurozone corporate yield curve) and Swiss francs (Federation bonds yield curve, plus the spread observed between government rates and high grade corporate bonds rates). The slightly lower discount rates were assumed for the 31 December 2016 valuation owing to a slight variation in the inflation rates from 31 December 2015.

149. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The health-care cost trend rate assumption is revised to reflect the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. Medical cost trend assumptions used for the valuation as at 31 December 2016 were updated to include escalation rates for future years. As at 31 December 2016, these escalation rates were a flat health-care yearly escalation rate of 4.0 per cent (2015: 4.0 per cent) for non-United States medical plans, health-care escalation rates of 6.0 per cent (2015: 6.4 per cent) for all other medical plans, except 5.7 per cent (2015: 5.9 per cent) for the United States Medicare plan and 4.9 per cent (2015: 4.9 per cent) for the United States dental plan, grading down to 4.5 per cent (2015: 4.5 per cent) over 10 years.

150. With regard to the valuation of repatriation benefits as at 31 December 2016, inflation in travel costs was assumed to be 2.25 per cent (2015: 2.25 per cent), on the basis of the projected United States inflation rate over the next 10 years.

151. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 1-3 years, 10.9 per cent; 4-8 years, 1 per cent; and more than eight years, 0.5 per cent, up to the maximum of 60 days. The assumption is consistent with the 2015 valuation. The attribution method continues to be used for annual leave actuarial valuation.

152. For defined-benefit plans, assumptions regarding future mortality are based on published statistics and mortality tables. Salary increases, retirement, withdrawal and mortality assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation. Appendix D/workers' compensation uses mortality assumptions based on World Health Organization statistical tables.

Movement in post-employment benefits liabilities accounted for as defined-benefit plans

Reconciliation of opening to closing total defined-benefits liability

(Thousands of United States dollars)

	2016	*2015 (restated[a])*
Net defined-benefits liability as at 1 January	**4 135 125**	**4 680 248**
Current service cost	155 222	186 814
Interest cost	142 737	156 590
Total costs recognized in the statement of financial performance	**297 959**	**343 404**
Benefits paid	(143 036)	(129 621)
Actuarial (gains)/losses recognized directly in the statement of changes in net assets[b]	46 804	(758 906)
Net defined-benefits liability as at 31 December	**4 336 852**	**4 135 125**

[a] Restated as a result of updated actuarial valuation of employee benefit liabilities.

[b] The net cumulative amount of actuarial losses recognized in the statement of changes in net assets is $232.8 million (2015: $186.0 million (restated)).

Discount rate sensitivity analysis

153. The changes in discount rates are driven by the discount curve, which is calculated on the basis of corporate bonds. The bonds markets varied over the reporting period, and volatility has an impact on the discount rate assumption. Should the assumption vary by 1 per cent, its impact on the obligations would be as shown below.

Discount rate sensitivity analysis: year-end employee benefits liabilities

(Thousands of United States dollars)

31 December 2016	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(655 996)	(24 711)	(16 922)
As a percentage of year-end liability	(16.78)	(9.0)	(8.54)
Decrease of discount rate by 1 per cent	863 524	27 716	19 756
As a percentage of year-end liability	22.35	10.10	9.97

31 December 2015 (restated[a])	*After-service health insurance*	*Repatriation benefits*	*Annual leave*
Increase of discount rate by 1 per cent	(620 585)	(24 856)	(16 891)
As a percentage of year-end liability	(16.96)	(8.98)	(8.[illegible])
Decrease of discount rate by 1 per cent	816 676	27 870	19 723
As a percentage of year-end liability	22.31	10.06	9.94

[a] Restated as a result of updated actuarial valuation of employee benefit liabilities.

Medical costs sensitivity analysis

154. The principal assumption in the valuation of the after-service health insurance is the rate at which medical costs are expected to increase in the future. The sensitivity analysis looks at the change in liability resulting from changes in the medical cost rates while holding other assumptions, such as the discount rate, constant. Should the medical cost trend assumption vary by 1 per cent, this would have an impact on the measurement of the defined-benefits obligations, as shown below.

Medical costs sensitivity analysis: 1 per cent movement in the assumed medical cost trend rates

(Thousands of United States dollars and percentage)

2016	*Increase*		*Decrease*	
Effect on the defined-benefits obligation	24.17%	933 970	(16.30%)	(629 966)
Effect on the aggregate of the current service cost and interest cost	2.23%	85 994	(1.35%)	(52 011)
Total effect		**1 019 964**		**(681 977)**

2015 (restated[a])	*Increase*		*Decrease*	
Effect on the defined-benefits obligation	24.13%	883 167	(16.30%)	(596 576)
Effect on the aggregate of the current service cost and interest cost	2.22%	81 086	(1.34%)	(49 169)
Total effect		**964 253**		**(645 745)**

[a] Restated as a result of updated actuarial valuation of employee benefit liabilities.

Other defined-benefits plan information

155. Benefits paid for 2016 are estimates of what would have been paid to separating staff and/or retirees during the year based on the pattern of rights acquisition under each scheme: after-service health insurance, repatriation and commutation of accrued annual leave. The estimated defined-benefits payments (net of participants' contributions in these schemes) are shown in the table below.

Estimated defined benefits payments, net of participants' contributions

(Thousands of United States dollars)

	After-service health insurance	*Repatriation benefits*	*Annual leave*	***Total***
2017	94 218	26 107	17 401	**137 726**
2016	85 951	33 355	23 730	**143 036**

Historical information: total liability for after-service health insurance, repatriation benefits and annual leave as at 31 December

(Millions of United States dollars)

	2015	*2014*	*2013*	*2012*	*2011*
Present value of the defined-benefits obligations	4 135	4 680	3 537	3 398	3 212

Accrued salaries and allowances

156. Accrued salaries and allowances comprise $24.0 million in accrued salaries, home leave benefits of $28.0 million (2015: $26.1 million) and $7.0 million (2015: $7.8 million) relating to other payables and accruals for repatriation grant payables and other allowances.

United Nations Joint Staff Pension Fund

157. The Regulations of the Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

158. The Organization's financial obligation to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.90 per cent for participants and 15.80 per cent for member organizations), together with a share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization is to contribute to the deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

159. The actuarial valuation performed as at 31 December 2013 revealed an actuarial deficit of 0.72 per cent (a deficit of 1.87 per cent in the 2011 valuation) of pensionable remuneration, implying that the theoretical contribution rate required to

achieve balance as at 31 December 2013 was 24.42 per cent of pensionable remuneration, compared with the actual contribution rate of 23.70 per cent. The next actuarial valuation will be conducted as at 31 December 2017.

160. At 31 December 2013, the funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, was 127.5 per cent (130.0 per cent in the 2011 valuation). The funded ratio was 91.20 per cent (86.20 per cent in the 2011 valuation) when the current system of pension adjustments was taken into account.

161. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as of 31 December 2013, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the Fund. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

162. During 2016, the Organization's contributions paid to Pension Fund amounted to $272.4 million (2015: $287.4 million). Expected contributions due in 2017 are $276.0 million.

163. The Board of Auditors carries out an annual audit of the Pension Fund and reports to the Pension Board on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed on the Fund website (www.unjspf.org).

Fund for compensation payments: Appendix D workers' compensation

164. The fund for compensation payments relates to the payment of compensation with regard to death, injury or illness attributable to the performance of official duties. The rules governing the compensation payments are under Appendix D to the Staff Rules. The fund allows the Organization to continue to fulfil its obligation to make compensation payments for death, injury or illness. The fund derives its revenue from a charge of 1 per cent of the net base remuneration, including post adjustment for eligible personnel. It covers Appendix D claims submitted by personnel, covering monthly death and disability benefits and lump sum payments for injury or illness as well as medical expenses.

Impact of General Assembly resolutions on staff benefits

165. On 23 December 2015, the General Assembly adopted resolution 70/244, by which it approved certain changes to the conditions of service and entitlements for all staff serving in the organizations of the United Nations common system, as recommended by the International Civil Service Commission (ICSC). Some of the changes that may affect the calculation of other long-term and end-of-service employee benefits liabilities are as follows.

Change	*Details*
Increase in mandatory age of separation	The mandatory age of retirement for staff that joined the United Nations on or after 1 January 2014 is 65 and for those that joined before 1 January 2014 is 60 or 62. The General Assembly decided to extend the mandatory age of separation for staff recruited before 1 January 2014 by organizations of the United Nations common system to 65 years, at the latest by 1 January 2018, taking into account the acquired rights of staff. Once implemented on 1 January 2018 for the United Nations Secretariat, this change is expected to affect future calculations of employee benefits liabilities.
Unified salary structure	The salary scales for internationally recruited staff (Professional and Field Service) as at 31 December 2016 were based on single or dependency rates. Those rates affected staff assessment and post adjustment amounts. The General Assembly approved a unified salary scale that resulted in the elimination of single and dependency rates as from 1 January 2017. The dependency rate was replaced by allowances for staff members who have recognized dependants in accordance with the Staff Regulations of the United Nations and Staff Rules. A revised staff assessment scale and pensionable remuneration scale was implemented along with the unified salary structure. The implementation of the unified salary scale was not designed to result in reduced payments for staff members. However, it is expected that the unified salary scale will affect the calculation and valuation of the repatriation benefit and the commuted annual leave benefit. Currently, the repatriation benefit is calculated on the basis of gross salary and staff assessment at the date of separation, whereas commuted annual leave is calculated on the basis of gross salary, post adjustment and staff assessment at the date of separation.
Repatriation benefit	Staff members are eligible to receive a repatriation grant upon separation provided they have been in service for at least one year in a duty station outside their country of nationality. The General Assembly has since revised eligibility for the repatriation grant from one year to five years for prospective employees, while current employees retain the one-year eligibility. This change is expected to affect future calculations of employee benefits liabilities.

166. The impact of the changes will be fully reflected in the actuarial valuation to be conducted in 2017.

Note 20
Provisions

(Thousands of United States dollars)

	Credits to Member States	*Credits to donors*	*Litigation and claims*	*Restoration*	*Insurance claims (incurred but not reported)*	*Total*
Provisions as at 31 December 2015	**120 030**	**–**	**1 195**	**15 613**	**76 428**	**213 266**
Additional provisions made	–	–	2 693	157	82 976	85 826
Amounts reversed	–	–	(811)	(5 460)	–	(6 271)
Amounts used	–	–	(44)	(9 738)	(76 428)	(86 210)
Provisions as at 31 December 2016	**120 030**	**–**	**3 033**	**572**	**82 976**	**206 611**
Current	120 030	–	3 033	180	82 976	206 219
Non-current	–	–	–	392	–	392
Total	**120 030**	**–**	**3 033**	**572**	**82 976**	**206 611**

(Thousands of United States dollars)

	Credits to Member States	*Credits to donors*	*Litigation and claims*	*Restoration*	*Insurance claims (incurred but not reported)*	*Total*
Provisions as at 31 December 2014	**40 239**	**1 657**	**2 019**	**16 105**	**80 041**	**140 061**
Additional provisions made	120 030	–	736	–	76 428	197 194
Amounts reversed	–	(1 657)	(144)	(82)	–	(1 883)
Amounts used	(40 239)	–	(1 416)	(410)	(80 041)	(122 106)
Provisions as at 31 December 2015	**120 030**	**–**	**1 195**	**15 613**	**76 428**	**213 266**
Current	120 030	–	1 195	15 296	76 428	212 949
Non-current	–	–	–	317	–	317
Total	**120 030**	**–**	**1 195**	**15 613**	**76 428**	**213 266**

167. The provisions for credits to Member States estimate the level of refunds that is expected to be given back to Member States for unencumbered balances of appropriations for the biennium 2014-2015. The balance did not change in 2016, as the refund was authorized by the General Assembly only in January 2017 (resolution 71/273 C). In addition, the Organization established provisions for $3.0 million (2015: $1.2 million) for various ongoing legal claims where it was assessed that the probability of a payout was greater than 50 per cent. The $15.0 million restoration provisions established last year for the dismantlement of the Temporary North Lawn Building site at United Nations Headquarters has been partially used ($9.7 million) and reversed ($5.5 million) during the course of 2016. Provisions for insurance claims (incurred but not reported) represent estimated costs that may be required to settle medical and dental claims that have been incurred by insurance plan participants during the reporting year for which claims were not made or reported to the third-party insurance administrators by participants, and were estimated at year-

end using normal insurance industry practice of estimating the value of such outstanding claims.

Note 21
Tax Equalization Fund liability

168. The Tax Equalization Fund was established under the provisions of the General Assembly resolution 973 (X) to equalize the net pay of all staff members whatever their national tax obligations. The Fund operationally reports as income staff assessment with respect to staff members financed under the regular budget, assessed peacekeeping operations, the international tribunals for Rwanda and the Former Yugoslavia and the International Residual Mechanism for Criminal Tribunals.

169. The Fund includes as expenditure credits against the assessed contributions for the regular budget, peacekeeping, the International Residual Mechanism and the international tribunals to Member States that do not levy taxes on the United Nations income of their nationals. Member States that do levy income taxes on their nationals working for the Organization do not receive this credit in full. Instead, their share is utilized in the first instance to reimburse staff members financed by the regular budget, peacekeeping, the Residual Mechanism and the international tribunals for taxes paid on their United Nations income. Such reimbursements for taxes paid are reported as expenditure by the Tax Equalization Fund. Staff members financed by extrabudgetary funds who are required to pay income tax are reimbursed directly from the resources of those funds. Since the Organization acts as an agent in this arrangement, net of the related revenue and expenses is reported as a payable in these financial statements.

170. The cumulative surplus accumulated in the Tax Equalization Fund as at 31 December 2016 was $46.9 million (2015: $67.6 million), consisting of amounts payable to the United States of America at year-end of $13.1 million (2015: $30.4 million) and to other Member States of $33.8 million (2015: $37.2 million). The overall amount payable of the Fund is $74.8 million (2015: $96.0 million), which includes an estimated tax liability of $27.9 million relating to the 2016 and prior tax years (2015: $28.4 million), of which approximately $15.1 million was disbursed in January 2017 and approximately $12.8 million was expected to be settled in April 2017.

Note 22
Other liabilities

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2016*
Liabilities for conditional arrangements	65 184	5 274	70 458
Liabilities under donated right-to-use arrangements	3 733	69 778	73 511
Finance lease liabilities	1 192	477	1 669
Straight-lining of operating lease	3 952	–	3 952
Other liabilities	72	–	72
Total other liabilities	**74 133**	**75 529**	**149 662**

(Thousands of United States dollars)

	Current	*Non-current*	*Total 31 December 2015 (restated[a])*
Liabilities for conditional arrangements	59 654	9 696	69 350
Liabilities under donated right-to-use arrangements	4 048	73 029	77 077
Finance lease liabilities	1 080	1 670	2 750
Straight-lining of operating lease	4 636	–	4 636
Other liabilities	1 740	–	1 740
Total other liabilities	**71 158**	**84 395**	**155 553**

[a] Restated to include liability for conditional arrangements for the European Union (note 4).

Note 23
Controlled multi-partner trust funds

171. Multi-partner trust funds are pooled resources from multiple financial partners that are allocated to multiple implementing entities to support specific national, regional or global development priorities. They are administered by the United Nations Development Programme Multi-Partner Trust Fund Office.

Multi-partner trust funds where the Organization has control and is the principal

172. Common humanitarian funds have been established in a number of countries as partnerships between the United Nations agencies for humanitarian activities. The Office for the Coordination of Humanitarian Affairs serves as the technical unit for the funds and is responsible for managing the allocation process. The Organization therefore controls the funds and is the principal in that multi-partner trust fund.

173. The Peacebuilding Fund has financed over 420 projects in 35 countries by delivering fast, flexible and relevant funding for peacebuilding initiatives in post-conflict countries. Given that the Fund is controlled and managed by the Assistant Secretary-General for Peacebuilding Support, who is supported by the Peacebuilding Support Office, the Organization is the principal in the programme.

174. In 2016, the Secretary-General announced a new approach to address the critical situation of the cholera outbreak in Haiti and, in collaboration with United Nations agencies, funds and programmes, launched the United Nations Haiti cholera response multi-partner trust fund. The trust fund provides a rapid, flexible and accountable platform to support a coordinated response from the United Nations system and partners. The Fund is led by the Special Adviser to the Secretary-General on the 2030 Agenda for Sustainable Development and Climate Change, who acts as the Chair of the Advisory Committee of the Fund. Accordingly, the Organization is considered as the principal in the fund.

175. The multi-partner trust funds where the Organization has control and is the principal are therefore recorded in full in the Organization's financial statements. A summary of the balances is showed below.

Common humanitarian funds, Peacebuilding Fund and Haiti Cholera Response Multi-Partner Trust Fund

(Thousands of United States dollars)

	Year ended 31 December 2016			
	Common humanitarian funds	*Peacebuilding Fund*	*Haiti Cholera Response Fund*	***Total***
Revenue	239 874	102 037	638	**342 549**
Expenses	(298 116)	(57 020)	(6)	**(355 142)**
Net surplus/(deficit)	**(58 242)**	**45 017**	**632**	**(12 593)**
Net assets as at 31 December 2015	173 407	117 422	–	**290 829**
Net assets as at 31 December 2016	**115 165**	**162 439**	**632**	**278 236**

(Thousands of United States dollars)

	Year ended 31 December 2015			
	Common humanitarian funds	*Peacebuilding Fund*	*Haiti Cholera Response Fund*	***Total***
Revenue	310 799	52 816	–	**363 615**
Expenses	(297 438)	(54 916)	–	**(352 354)**
Net surplus/(deficit)	**13 361**	**(2 100)**	–	**11 261**
Net assets as at 31 December 2014	160 046	119 522	–	**279 568**
Net assets as at 31 December 2015	**173 407**	**117 422**	–	**290 829**

Multi-partner trust fund accounted for as a jointly controlled operation: Ebola response multi-partner trust fund

176. The Secretary-General launched the United Nations Mission for Ebola Emergency Response to unite the efforts of all the United Nations entities concerned and serve as a platform for global control of the outbreak of Ebola virus disease. As a jointly controlled operation, the Mission is considered in note 24.

Note 24
Interests in joint ventures

Interests in joint ventures accounted for using the equity method

Joint ventures accounted for using the equity method, as at 31 December 2016
(Thousands of United States dollars)

		Statement of changes in net assets			
	Net assets (liability) as at 1 January 2016	*Actuarial gains (losses) relating to actuarial valuation of employee benefits liabilities*	*Other changes*	*Statement of financial performance surplus (deficit) for the year*	*Net assets (liability) as at 31 December 2016*
Interest in joint ventures: non-current assets					
United Nations System Staff College	1 881	90	(28)	163	2 106
Vienna International Centre Major Repair and Replacement Fund	1 188	–	(48)	(67)	1 073
Total non-current assets	**3 069**	**90**	**(76)**	**96**	**3 179**
Interest in joint ventures: non-current liability					
International Trade Centre	(207)	(4 538)	–	(12 207)	(16 952)
United Nations Office at Vienna	(57 402)	(2 035)	–	(2 270)	(61 707)
Other joint ventures	(20 754)	(749)	–	(1 889)	(23 392)
Total non-current liability	**(78 363)**	**(7 322)**	**–**	**(16 366)**	**(102 051)**
Net interest in joint ventures	**(75 294)**	**(7 232)**	**(76)**	**(16 270)**	**(98 872)**
Net contribution to joint ventures:[a]				(72 922)	
Statement II: contributions to and share of deficit of joint ventures accounted for on an equity basis				**(89 192)**	

[a] Represents the 2016 regular budget contribution to the funds accounted for under the joint venture equity method, broken down into $53.6 million for the joint financing arrangement contribution, $18.6 million for the ITC contribution, $0.2 million for the United Nations System Staff College contribution and a contribution of $0.5 million to the Major Repair and Replacement Fund.

Joint ventures accounted for using the equity method, as at 31 December 2015

(Thousands of United States dollars)

		Statement of changes in net assets			
	Net assets (liability) as at 1 January 2015	*Actuarial gains (losses) relating to actuarial valuation of employee benefits liabilities*	*Other changes*	*Statement of financial performance surplus (deficit) for the year*	*Net assets (liability) as at 31 December 2015*
Interest in joint ventures: non-current assets					
International Trade Centre	8 287	7 519	–	(16 013)	(207)
Add: reclassification of the net liability balance for ITC as at 31 December 2015	–	–	–	–	207
United Nations System Staff College	2 518	–	(53)	(584)	1 881
Vienna International Centre Major Repair and Replacement Fund	1 320	–	(131)	(1)	1 188
Total non-current assets	**12 125**	**7 519**	**(184)**	**(16 598)**	**3 069**
Interest in joint ventures: non-current liability					
United Nations Office at Vienna	(33 959)	(22 596)	–	(847)	(57 402)
Other joint ventures	(26 921)	8 264	–	(2 097)	(20 754)
Less: reclassification of the net liability balance for ITC as at 31 December 2015	–	–	–	–	(207)
Total non-current liability	**(60 880)**	**(14 332)**	**–**	**(2 944)**	**(78 363)**
Net interest in joint ventures	**(48 755)**	**(6 813)**	**(184)**	**(19 542)**	**(75 294)**
Net contribution to joint ventures:[a]				(76 355)	
Statement II: contributions to and share of deficit of joint ventures accounted for on an equity basis				**(95 897)**	

[a] Represents the 2015 regular budget contribution to the funds accounted for under the joint venture equity method, broken down into $57.6 million for the joint financing arrangement contribution, $18.6 million for the ITC contribution and $0.2 million for the United Nations System Staff College contribution.

Joint venture operations accounted for using the equity method: non-current assets

177. The United Nations System Staff College was created by the General Assembly to improve the effectiveness of the United Nations system. It runs courses and delivers learning initiatives to United Nations personnel. The College operates on a biennial budget approved by its Board. A core portion of the budget is met by the members of the United Nations System Chief Executives Board for Coordination (CEB) in accordance with the cost-sharing formula decided upon by CEB. According to the cost-sharing formula for the 2016 core contribution, the Organization's share is 29.61 per cent (2015: 29.61 per cent). A summary of the financial performance and net assets position of the College is shown below.

178. The Major Repair and Replacement Fund is a jointly financed activity whose contributors are the organizations based at the Vienna International Centre. Its objective is to make major capital improvements to the Centre. The Organization

contributed $0.5 million to the Fund in 2016 (2015: $0.5 million), which represents 11.38 per cent of the total revenue received by the Fund in 2016 (2015: 11.38 per cent). Additional information and a summary of the financial performance and net assets position of the Fund are presented below.

179. Annual contributions made by the Organization to the Major Repair and Replacement Fund may be used to acquire or upgrade physical assets required for major capital improvements to the Vienna International Centre. The Organization had not entered into any other capital commitments in relation to its interests in joint ventures as at 31 December 2016.

Joint venture entity accounted for using the equity method: non-current liability

180. The Organization has significant influence over the operations of ITC. Accordingly, its 50.0 per cent interest, based on its regular budget contribution of $18.6 million in 2016 (2015: $18.6 million), is accounted for using the equity method. A summary of the financial performance and net liability position of ITC is provided below.

Joint ventures accounted for using the equity method: International Trade Centre

(Thousands of United States dollars)

	Year ended 31 December 2016		*Year ended 31 December 2015*	
	Based on International Trade Centre financial statements	*Organization's share*	*Based on International Trade Centre financial statements*	*Organization's share*
Current assets	53 578	26 789	63 013	31 506
Non-current assets	51 450	25 725	36 298	18 149
Current liabilities	(27 683)	(13 842)	(22 802)	(11 401)
Non-current liabilities	(111 248)	(55 624)	(76 923)	(38 461)
Net liabilities	**(33 903)**	**(16 952)**	**(414)**	**(207)**
Total revenues	66 791	33 396	70 627	35 314
Total expenses	(91 205)	(45 603)	(102 654)	(51 327)
Net deficit	**(24 414)**	**(12 207)**	**(32 027)**	**(16 013)**

Joint venture operations accounted for using the equity method: non-current liability

181. The jointly financed operations are established under binding agreements. The Organization has significant influence over these activities, which is defined under IPSAS 8 as the power to participate in the financial and operating policy decisions of the activities but not to control or jointly control these activities. These jointly financed operations, all of which have the same reporting period as the Organization and which are accounted for using the equity method, are as follows:

(a) **United Nations Office at Vienna**: jointly financed operations of the United Nations in Vienna consist of three operations, each of which has a cost-sharing agreement:

(i) Safety and security;

(ii) Access control programme of the Vienna International Centre shooting range;

(iii) Conference and administrative services;

(b) **Safety and security**: the Department of Safety and Security is a single security management framework responsible for providing leadership, operational support and oversight of the security management system, ensuring the maximum security for staff and eligible dependants and enabling the safest and most efficient conduct of the programmes and activities of the United Nations system;

(c) **ICSC**: ICSC is an independent expert body established by the General Assembly with a mandate to regulate and coordinate the conditions of service of staff in the United Nations common system, while promoting and maintaining high standards in the international civil service;

(d) **Joint Inspection Unit**: the Joint Inspection Unit is an independent external oversight body of the United Nations system established by the General Assembly to conduct evaluations, inspections and investigations system-wide;

(e) **CEB secretariat**: CEB is the longest standing and highest level coordination forum of the United Nations system. It was established as a standing committee of the Economic and Social Council and is chaired by the Secretary-General. While not a policymaking body, CEB supports and reinforces the coordinating role of intergovernmental bodies of the United Nations system on social, economic and related matters.

182. The Organization's interest in these activities is its share of their net liabilities, which is based on the funding apportionment percentage. These cost-sharing ratios, which vary to reflect key factors such as the number of employees and the total space occupied, are included in the statement of financial performance and statement of financial position tables below.

Joint venture operations accounted for using the equity method: financial statements

Joint venture operations accounted for using the equity method: statement of financial position as at 31 December 2016

(Thousands of United States dollars)

	United Nations System Staff College	*Vienna International Centre Major Repair and Replacement Fund*	*United Nations Office at Vienna*	*Other*	*Total*
Current assets	14 161	9 501	21 002	46 992	**91 656**
Non-current assets	38	–	260	7 501	**7 799**
Total assets	**14 199**	**9 501**	**21 262**	**54 493**	**99 455**
Current liabilities	(818)	(76)	(22 956)	(37 028)	**(60 878)**
Non-current liabilities	(6 267)	–	(99 168)	(117 347)	**(222 782)**
Total liabilities	**(7 085)**	**(76)**	**(122 124)**	**(154 375)**	**(283 660)**
Net of total assets and total liabilities	**7 114**	**9 425**	**(100 862)**	**(99 882)**	**(184 205)**
Net assets: accumulated surplus/(deficit)	**7 114**	**9 425**	**(100 862)**	**(99 882)**	**(184 205)**

Joint venture operations accounted for using the equity method: statement of financial performance as at 31 December 2016

(Thousands of United States dollars)

	United Nations System Staff College	*Vienna International Centre Major Repair and Replacement Fund*	*United Nations Office at Vienna*	*Other*	***Total***
Revenue	9 491	3 910	39 654	135 658	**188 713**
Expenses	(8 934)	(4 498)	(44 426)	(139 499)	**(197 357)**
Surplus/(deficit) for the year	**557**	**(588)**	**(4 772)**	**(3 841)**	**(8 644)**
Net assets/(liabilities) at beginning of year	**6 352**	**10 437**	**(92 764)**	**(92 845)**	**(168 820)**
Surplus/(deficit) for the year	557	(588)	(4 772)	(3 841)	**(8 644)**
Actuarial gains/(losses) on employee benefits liabilities	303	–	(3 326)	(3 196)	**(6 219)**
Other changes in net assets	(98)	(424)	–	–	**(522)**
Net assets/(liabilities) at year-end	**7 114**	**9 425**	**(100 862)**	**(99 882)**	**(184 205)**
Organization's interest in the joint venture (percentage)	**29.61**	**11.38**	**61.18**	**23.42**	
Share of surplus/(deficit) for the year	163	(67)	(2 270)[a]	(1 889)[b]	**(4 063)**
Share of actuarial gains/(losses) recognized directly in net assets	90	–	(2 035)	(749)	**(2 694)**
Share of other changes in net assets	(28)	(48)	–	–	**(76)**
Share of net assets/(liabilities) at year end	2 106	1 073	(61 707)	(23 392)	**(81 920)**

[a] Adjusted to reflect change in the interest of the Organization from 61.88 per cent in 2015 to 61.18 per cent in 2016.

[b] Adjusted to reflect change in the interest of the Organization from 22.35 per cent in 2015 to 23.42 per cent in 2016.

Joint venture operations accounted for using the equity method: statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	United Nations System Staff College	United International Centre Night Repair and Replacement Fund	United Nations Office at Vienna	Other	*Total*
Current assets	13 394	11 039	3 680	22 029	**50 142**
Non-current assets	30	—	36	11 893	**11 959**
Total assets	**13 424**	**11 039**	**3 716**	**33 922**	**62 101**
Current liabilities	(1 109)	(602)	(4 609)	(19 158)	**(25 478)**
Non-current liabilities	(5 963)		(91 871)	(107 609)	**(205 443)**
Total liabilities	**(7 072)**	**(602)**	**(96 480)**	**(126 767)**	**(230 921)**
Net of total assets and total liabilities	**6 352**	**10 437**	**(92 764)**	**(92 845)**	**(168 820)**
Net assets: accumulated surplus/(deficit)	**6 352**	**10 437**	**(92 764)**	**(92 845)**	**(168 820)**

Joint venture operations accounted for using the equity method: statement of financial performance as at 31 December 2015

(Thousands of United States dollars)

	United Nations System Staff College	Vienna International Centre Major Repair and Replacement Fund	United Nations Office at Vienna	Other	*Total*
Revenue	5 302	3 919	42 944	140 424	**192 589**
Expenses	(7 143)	(3 927)	(44 064)	(149 498)	**(204 632)**
Deficit for the year	**(1 841)**	**(8)**	**(1 120)**	**(9 074)**	**(12 043)**
Net asset/(liabilities) at beginning of year	**8 371**	**11 643**	**(55 128)**	**(120 746)**	**(155 860)**
Deficit for the year	(1 841)	(8)	(1 120)	(9 074)	**(12 043)**
Actuarial gains/(losses) on employee benefits liabilities	–	–	(36 516)	36 975	**459**
Other changes in net assets	(178)	(1 198)	–	–	**(1 376)**
Net assets/(liabilities) at year-end	**6 352**	**10 437**	**(92 764)**	**(92 845)**	**(168 820)**
Organization's interest in the joint venture (percentage)	**29.61**	**11.38**	**61.88**	**22.35**	
Share of deficit for the year	(584)	(1)	(847)	(2 097)	**(3 529)**
Share of actuarial gains/(losses) recognized directly in net assets	–	–	(22 596)	8 264	**(14 332)**
Share of other changes in net assets	(53)	(131)	–	–	**(184)**
Share of net assets/(liabilities) at year end	1 881	1 188	(57 402)	(20 754)	**(75 087)**

Jointly controlled operation: Ebola response multi-partner trust fund

183. During the year ended 31 December 2016, the Ebola response multi-partner trust fund received voluntary contributions from donors amounting to $6.1 million (2015: $34.4 million). A total amount of $10.4 million (2015: $48.7 million) was transferred to participating organizations. The trend in 2016 shows a decrease in contributions and in transfers to participating organizations as a result of the completion of the Fund's operations planned for the end of 2017.

184. As a jointly controlled operation since 2014, the Organization's interest in the Ebola response multi-partner trust fund was accounted for by recognizing the liabilities and expenses incurred by the Organization and the assets that it controlled. No additional funds were allocated to the trust fund and no project expenses were incurred by the Organization during the financial year 2016. As at 31 December 2016, cash and cash equivalents of $0.5 million and the same amount of liability were recognized as being due for refund to the Fund.

Note 28
Net assets

Net assets as at 31 December

(Thousands of United States dollars)

	General Fund and related funds	General trust funds	Long-term employee benefits funds	Insurance workers' compensation funds	Other funds	Total
Net assets as at 31 December 2014	**498 155**	**1 983 632**	**(4 619 166)**	**440 140**	**3 380 896**	**1 683 657**
Changes in net assets						
Actuarial gains on employee benefits liabilities (note 19)	–	–	758 906	–	–	758 906
Transfer of funds to other Secretariat reporting entities	–	–	–	–	(1 713)	(1 713)
Share of changes recognized by joint ventures directly in net assets (note 24)	(6 867)	–	–	–	(130)	(6 997)
Transfers between funds	(2 821)	1	–	–	2 820	–
Other adjustments to net assets	1 985	95	(56)	(424)	26	1 626
Surplus/(deficit) for the year	(126 456)	244 879	(207 217)	37 715	63 180	12 101
Total changes in net assets	**(134 159)**	**244 975**	**551 633**	**37 291**	**64 183**	**763 923**
Net assets as at 31 December 2015 (restated[a])	**363 996**	**2 228 607**	**(4 067 533)**	**477 431**	**3 445 079**	**2 447 580**
Changes in net assets						
Actuarial gains/(losses) on employee benefits liabilities (note 19)	(1 747)		(46 804)	198		(48 353)
Share of changes recognized by joint ventures directly in net assets (note 24)	(7 260)				(48)	(7 308)
Surplus/(deficit) for the year	(14 440)	219 725	(145 631)	22 879	(94 020)	(11 487)
Total changes in net assets	**(23 447)**	**219 725**	**(192 435)**	**23 077**	**(94 068)**	**(67 148)**
Net assets as at 31 December 2016	**340 549**	**2 448 332**	**(4 259 968)**	**500 508**	**3 351 011**	**2 380 432**

[a] Restated due to changes in actuarial valuation of employee benefit liabilities (note 4).

Net assets as at 31 December 2016

(Thousands of United States dollars)

	Accumulated surplus/deficit	*Reserves*	*Total net assets*
General Fund and related funds	340 549	–	340 549
General trust funds	2 448 332	–	2 448 332
Long-term employee benefits funds	(4 259 968)	–	(4 259 968)
Insurance/workers' compensation funds	442 957	57 551	500 508
Other funds	3 351 011	–	3 351 011
Total net assets	**2 322 881**	**57 551**	**2 380 432**

Net assets as at 31 December 2015

(Thousands of United States dollars)

	Accumulated surplus/deficit	*Reserves*	*Total net assets*
General Fund and related funds	363 996	–	363 996
General trust funds	2 228 607	–	2 228 607
Long-term employee benefits funds	(4 067 533)	–	(4 067 533)
Insurance/workers' compensation funds	418 660	58 771	477 431
Other funds	3 445 079	–	3 445 079
Total net assets	**2 388 809**	**58 771**	**2 447 580**

Accumulated surplus

185. The accumulated surplus includes the accumulated surplus of the General Fund and related funds, general trust funds, after-service employee benefits funds, self-insurance plan funds and other funds. Self-insurance plans are recorded fully in the financial statements since the Organization acts as the principal.

Reserves

186. Reserves comprise a premium stabilization reserve amounting to $1.4 million (2015: $1.4 million) with regard to the United Nations Group Staff Life Insurance Reserve Fund, and $56.1 million (2015: $57.3 million) held for the United Nations Staff Mutual Insurance Society against Sickness and Accident, which is required under its statute to maintain a reserve balance.

United Nations Special Account

187. Under the provisions of General Assembly resolutions 2053 A (XX) and 3049 A (XXVII), the Special Account has received voluntary contributions from Member States and private donors in order to overcome the financial difficulties of the United Nations and to resolve the Organization's short-term deficit. The year-end balance was $200.6 million (2015: $199.7 million), of which $48.7 million (2015: $48.7 million) relates to the Fund principal from contributions and $151.9 million (2015:

$151.0 million) to accumulated surplus. The Special Account is reported under the General Fund and related funds.

Note 26
Revenue from non-exchange transactions

Assessed contributions

188. Assessed contributions of $2,769.9 million (2015: $2,811.3 million) have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policies of the United Nations, on the basis of the regular budget scale of assessment. A reconciliation of assessed contributions to gross amounts assessed to Member States is presented below.

Assessed contributions

(Thousands of United States dollars)

	2016	*2015*
Gross amounts assessed to Member States[a]	2 745 188	2 976 268
Additional assessment[b]	7 967	(82 074)
Additional appropriation approved for the year[c]	61 600	(7 967)
Appropriation for the shortfall of the capital master plan (see resolution 69/274 A)	(45 000)	45 000
Unencumbered balance for the biennium 2014-2015[d]	–	(120 030)
Non-member States assessments	97	81
Amount reported in statement II: assessed contributions	**2 769 852**	**2 811 278**

[a] Gross amounts assessed based on resolution 70/249 C and ST/ADM/SER.B/932 for 2016 and resolution 69/263 C and ST/ADM/SER.B/910 for 2015.
[b] 2016 adjustment pertains to the year 2015 and 2015 adjustment pertains to the year 2014.
[c] 2016 pertains to additional appropriations in connection with resolutions 70/248 B and C, and 71/273 A. 2015 pertains to adjustments in connection with the biennium 2014-2015.
[d] Unencumbered balance of $120.0 million in 2015 reflects the differences between the final budget and actual expenditure (budget basis) for the biennium 2014-2015.

189. The Organization has preliminarily determined the level of unutilized commitments from the biennium 2014-2015 to be approximately $45.6 million. In accordance with the Financial Regulations and Rules, the amounts will be surrendered in the form of adjustments to the assessments on Member States. As at the date of the issuance of the financial statements, the amounts were still being finalized. The Organization therefore expects to report the amounts in the 2017 financial statements, once they have been finalized and their disposition has been decided upon by Member States.

Voluntary contributions

(Thousands of United States dollars)

	2016	*2015*
Voluntary monetary contributions	2 287 658	2 057 810
Voluntary in-kind contributions	90 268	63 137
Total voluntary contributions	**2 377 926**	**2 120 947**
Refunds	(20 119)	(27 069)
Net voluntary contributions	**2 357 807**	**2 093 878**

190. Revenue of $690.1 million was recognized up front in financial year 2016 for future instalments of multi-year agreements. During financial year 2016, the total amount of voluntary contributions in kind recognized for right-to-use arrangements was $67.0 million (2015: $61.3 million) and voluntary contributions in kind recognized for donated assets was $23.2 million (2015: $1.8 million).

191. The total amount of donor pledges or agreements which have not been formalized or which were subject to fundraising activities as at 31 December 2016 is $12.4 million (2015: $14.6 million).

192. Voluntary monetary contributions include $4.9 million (2015: $3.4 million) relating to assessments for conferences of States parties to treaties and conventions, which are levied on the basis of agreements among the States parties to the respective treaty or convention.

Other transfers and allocations

(Thousands of United States dollars)

	2016	*2015**
Inter-organizational arrangements	17 720	43 767
Other transfers and allocations	25 246	131 028
Total other transfers and allocations	**42 966**	**174 795**

* Regrouped to conform with the current presentation.

Services in kind

193. In-kind contributions of technical assistance, experts, security and other services received during the year are not recognized as revenue and therefore are not included in the in-kind contributions revenue reflected above. In-kind technical assistance/expert services and other in-kind services received by the Organization during the year amounted to $9.7 million (2015: $5.3 million).

Note 27
Other revenue

194. Other revenue of $178.0 million (2015: $172.7 million) includes revenue from services rendered, rental of premises, revenue-producing activities such as sales of publications, books and stamps and other miscellaneous revenue.

Note 28
Health and dental self-insurance plans

195. Health and dental insurance plans were established as part of the social security scheme for United Nations staff and retirees. Most of the plans are self-insured and most are managed in two locations:

(a) Headquarters in New York manages the United States-based health and dental plans, the worldwide plan for internationally recruited field staff and retirees and the medical insurance plan for locally recruited field staff and retirees at designated duty stations;

(b) The United Nations Office at Geneva manages the United Nations Staff Mutual Insurance Society against Sickness and Accident for United Nations staff and retirees in Geneva, as well as staff and retirees of other Geneva-based organizations.

196. There are also fully insured health insurance plans. At Headquarters, there is the health insurance plan of New York, which has been closed to new subscribers. In Vienna, staff and retirees are eligible to enrol in the Austrian national health insurance programme and the plans administered by the United Nations Industrial Development Organization (full medical insurance plan and supplementary medical insurance plan). In those instances, premiums collected from staff, retirees and the Organization are recorded as liabilities and paid to the respective insurance providers.

197. In the case of self-insurance plans, the Organization and the participating subscribers assume the risk of providing health insurance to members. These health insurance plans include:

(a) United States-based medical and dental plans, comprising Empire Blue Cross, Aetna and Cigna (dental only);

(b) Worldwide plan for internationally recruited field staff and retirees (administered by Cigna International);

(c) Medical insurance plan for locally recruited staff and retirees at designated duty stations;

(d) United Nations Staff Mutual Insurance Society against Sickness and Accident for United Nations staff and retirees in Geneva, as well as staff and retirees of other Geneva-based organizations.

198. The plans are administered by third-party administrators on behalf of the United Nations or, as in the case of the United Nations Staff Mutual Insurance Society against Sickness and Accident, are self-administered.

199. The United Nations is responsible for administering or appointing the administrators of all the schemes and, as such, acts as the principal for the self-insurance arrangements as the one being exposed to the risks and rewards associated

with the plans. The assets, liabilities, revenue and expenses relating to those plans are therefore reported in the Organization's financial statements. Note 5, Segment reporting, includes self-insurance funds as a separate segment. The statement of financial performance and statement of financial position for the funds is as shown below.

Self-insurance funds: statement of financial position as at 31 December 2016

(Thousands of United States dollars)

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*Total*
Assets				
Cash and cash equivalents	71 670	17 609	33 115	122 394
Investments	187 997	46 192	113 461	347 650
Other receivables	11 571	1	4 906	16 478
Other assets	2 765	1 200	234	4 199
Total assets	**274 003**	**65 002**	**151 716**	**490 721**
Liabilities				
Accounts payable and accrued liabilities	8 500	4 005	955	13 460
Employee benefits liabilities	12 686	1 442	8 293	22 421
Provisions	50 154	9 407	23 415	82 976
Total liabilities	**71 340**	**14 854**	**32 663**	**118 857**
Net of total assets and total liabilities	**202 663**	**50 148**	**119 053**	**371 864**
Net assets				
Accumulated surplus	202 663	50 148	62 902	315 713
Reserves	–	–	56 151	56 151
Total net assets[a]	**202 663**	**50 148**	**119 053**	**371 864**

[a] Net assets of health insurance funds of $371.9 million are included in the net assets of the insurance/workers' compensation funds of $500.5 million (note 25), with the difference of $128.6 million corresponding to net assets of the workers' compensation fund, life insurance fund and general liability fund which are not included in this note.

Self-insurance funds: statement of financial performance for the year ended 31 December 2016

(Thousands of United States dollars)

	Blue Cross Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*Total*
Revenue				
Investment revenue	1 627	567	(1 403)	791
Contributions for self-insurance funds[a]	381 508	28 715	109 682	519 905
Other revenue	7 868	–	–	7 868
Total revenue	**391 003**	**29 282**	**108 279**	**528 564**
Expenses				
Self-insurance claims and expenses[b]	346 697	39 532	92 929	479 158
Employee salaries, allowances and benefits	–	136	3 879	4 015
Non-employee compensation and allowances	6 573	(6)	–	6 567
Supplies and consumables	–	–	5	5
Depreciation and amortization	–	–	17	17
Other operating expenses	18 017	3 042	2 771	23 830
Total expenses	**371 287**	**42 704**	**99 601**	**513 592**
Surplus/(deficit) for the year	**19 716**	**(13 422)**	**8 678**	**14 972**

[a] The figure for contributions for self-insurance funds of $519.9 million has been adjusted to eliminate the Organization's contributions of $193.5 million. In addition, an amount of $8.1 million relating to compensation awards has been included to arrive at $334.5 million, as shown in statement II.

[b] The figure for self-insurance claims and expenses of $479.2 million has been adjusted for an amount of $2.2 million of expenses relating to compensation awards and other insurance programmes to arrive at $481.4 million, as shown in statement II.

Self-insurance funds: statement of financial position as at 31 December 2015

(Thousands of United States dollars)

	Blue Cross Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*Total*
Assets				
Cash and cash equivalents	37 579	10 643	21 744	69 966
Investments	193 640	54 840	116 204	364 684
Other receivables	10 881	–	3 991	14 872
Other assets	19 355	1 200	92	20 647
Total assets	**261 455**	**66 683**	**142 031**	**470 169**
Liabilities				
Accounts payable and accrued liabilities	5 491	392	905	6 788
Employee benefits liabilities	21 874	1 146	7 038	30 058
Advance receipts	3	–	–	3
Provisions	51 140	1 575	23 713	76 428
Total liabilities	**78 508**	**3 113**	**31 656**	**113 277**
Net of total assets and total liabilities	**182 947**	**63 570**	**110 375**	**356 892**
Net assets				
Accumulated surplus	182 947	63 570	53 004	299 521
Reserves	–	–	57 371	57 371
Total net assets[a]	**182 947**	**63 570**	**110 375**	**356 892**

[a] Net assets of health insurance funds of $356.9 million are included in the net assets of the insurance/workers' compensation funds of $477.4 million (note 25), with the difference of $120.5 million corresponding to net assets of the workers' compensation fund, life insurance fund and general liability fund which are not included in this note.

Self-insurance funds: statement of financial performance for the year ended 31 December 2015

(Thousands of United States dollars)

	Blue Cross, Aetna and Cigna health plans	*Medical insurance plan for field local staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*Total*
Revenue				
Investment revenue	1 012	294	786	2 092
Contributions for self-insurance funds[a]	380 206	27 941	107 380	515 527
Other revenue	2 946	27	–	2 973
Total revenue	**384 164**	**28 262**	**108 166**	**520 592**
Expenses				
Self-insurance claims and expenses[b]	342 751	21 042	96 490	460 283
Employee salaries, allowances and benefits	4 954	–	3 588	8 542
Non-employee compensation and allowances	1 030	–	–	1 030
Grants and other transfers	–	–	2	2
Supplies and consumables	–	–	3	3
Depreciation and amortization	–	–	6	6
Travel	–	–	14	14
Other operating expenses	16 371	3 352	1 197	20 920
Total expenses	**365 106**	**24 394**	**101 300**	**490 800**
Surplus for the year	**19 058**	**3 868**	**6 866**	**29 792**

[a] The above figure for contributions to self-insurance funds of $515.5 million has been adjusted to eliminate the Organization's contributions of $166.5 million. In addition, an amount of $7.9 million relating to compensation awards has been included to arrive at $356.9 million, as shown in statement II.

[b] The above figure for self-insurance claims and expenses of $460.3 million has been adjusted for an amount of $2.6 million of expenses relating to repatriation grants, compensation awards and other insurance programmes. In addition, $1.2 million relating to compensation awards has been eliminated to arrive at $461.7 million, as shown in statement II.

Note 29
Expenses

Employee salaries, allowances and benefits

200. Employee salaries include international, national and general temporary staff salaries, post adjustment and staff assessment. The allowances and benefits include other staff entitlements, including pension and insurance subsidies and staff assignment, repatriation, hardship and other allowances.

(Thousands of United States dollars)

	2016	2015 (restated[a])
Salary and wages	1 977 351	2 258 107
Pension and insurance benefits	400 514	226 553
Other benefits	21 752	17 546
Total employee salaries, allowances and benefits	**2 399 617**	**2 502 206**

[a] Regrouped and restated to conform with the current presentation (note 4).

Grants and other transfers

201. Grants and other transfers include outright grants and transfers to implementing agencies, partners and other entities, as well as quick-impact projects. The grant and other transfers expenses incurred by the major funds utilizing the various grant-out mechanisms are listed below.

(Thousands of United States dollars)

	2016	2015 (restated[a])
Trust fund for strengthening the Office of the Emergency Relief Coordinator[b]	685 286	455 017
Central Emergency Response Fund	433 383	453 906
United Nations General Fund[c]	196 910	175 953
Voluntary trust fund for assistance in mine action	56 396	41 851
Trust fund for the Peacebuilding Support Office[b]	49 214	56 074
United Nations Fund for International Partnerships	27 725	40 003
United Nations trust fund for human security	21 947	928
Trust Fund in support of political affairs	14 050	788
Total major funds that incurred expenses of grants and other transfers	**1 484 911**	**1 224 520**
Other funds	68 332	97 322
Total grants and other transfers	**1 553 243**	**1 321 842**

[a] Restated to include allocation expense in the amount of $8.5 million previously classified as other operating expense (note 4).
[b] Includes grants and transfers through the multi-partner trust fund.
[c] Includes grants provided to related party entities (note 32).

202. Expenses of outright grants are recognized when the Organization has a binding obligation to pay, primarily upon signing of the agreement by both parties. Transfers to executing agencies or implementing partners are recognized as an expense when funds are disbursed by the Organization.

Other operating expenses

203. Other operating expenses include maintenance, utilities, contracted services, training, security services, shared services, rent, insurance and allowances for doubtful receivables.

(Thousands of United States dollars)

	2016	*2015 (restated[a])*
Rent — offices and premises[b]	147 191	143 600
Rental — other	7 745	61 548
Bad debt/doubtful debt expenses	22 430	7 342
Net foreign exchange losses	38 156	35 812
Other[c]	418 850	489 905
Total other operating expenses	**634 372**	**738 207**

[a] Regrouped and restated to exclude allocation expense in the amount of $8.5 million included in grants and other transfers (note 4).
[b] Includes contributions in kind for donated right-to-use arrangements.
[c] Includes contracted services, acquisition of goods relating to items not meeting the capitalization thresholds, maintenance expenses and other expenses.

Other expenses

204. Other expenses relate to ex gratia and compensation claims and other miscellaneous expenses.

(Thousands of United States dollars)

	2016	*2015*
Ex gratia and compensation claims	4 704	752
Other/miscellaneous expenses	1 356	1 411
Total other expenses	**6 060**	**2 163**

Note 30
Financial instruments and financial risk management

Summary of financial instruments

(Thousands of United States dollars)

	Reference	31 December 2016	31 December 2015 (restated[a])
Financial assets			
Fair value through the surplus or deficit			
Short-term investments: main pool[b]	Notes 8 and 31	1 414 591	1 422 837
Short-term investments: euro pool	Notes 8 and 31	–	2 440
Short-term investments: United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 8	14 246	12 277
Derivative instruments: currency forward contracts	Note 8	–	8 186
Total short-term investments		**1 428 837**	**1 445 740**
Long-term investments: main pool	Notes 8 and 31	681 157	954 701
Long-term investments: United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 8	60 012	82 291
Total long-term investments		**741 169**	**1 036 992**
Total fair value through the surplus or deficit investments		**2 170 006**	**2 482 732**
Cash and cash equivalents			
Cash and cash equivalents: main pool	Notes 7 and 31	798 955	461 396
Cash and cash equivalents: euro pool	Notes 7 and 31	1 577	7 276
Cash and cash equivalents: United Nations Staff Mutual Insurance Society against Sickness and Accident	Note 7	9 716	10 876
Cash and cash equivalents — other	Note 7	10 095	5 804
Total cash and cash equivalents		**820 343**	**485 352**
Receivables from exchange and non-exchange transactions and loans			
Assessed contributions	Note 9	276 145	389 306
Voluntary contributions	Note 10	829 699	583 701
Other receivables	Note 11	144 777	97 256
Other assets (excluding advances and deferred charges)	Note 13	742	206
Total of cash and cash equivalents, receivables from exchange and non-exchange transactions and loans		**2 071 706**	**1 555 821**
Total carrying amount of financial assets		**4 241 712**	**4 038 553**
Of which relates to financial assets held in main pool	Note 31	2 894 703	2 838 934
Of which relates to financial assets held in euro pool	Note 31	1 577	9 716
Of which relates to financial assets held in the United Nations Staff Mutual Insurance Society against Sickness and Accident		83 974	105 444

	Reference	31 December 2016	31 December 2015 (restated*)
Financial liabilities at amortized cost			
Accounts payable and accrued liabilities	Note 17	372 518	447 144
Tax Equalization Fund liability	Note 21	74 795	96 011
Other liabilities	Note 22	5 693	9 126
Total carrying amount of financial liabilities		**453 006**	**552 281**
Summary of net revenue from financial assets			
Net cash pool revenue		22 551	11 952
Net United Nations Staff Mutual Insurance Society against Sickness and Accident gain/(loss)		(1 542)	788
Other investment revenue		1 775	922
Total net revenue from financial assets		**22 784**	**15 662**

* Regrouped to conform with the current presentation.

[a] Short-term investments include accrued investment revenue of $8.0 million (2015: $4.5 million) and $0.376 million (2015: $0.55 million) for the main pool and the United Nations Staff Mutual Insurance Society against Sickness and Accident respectively.

Financial risk management

Overview

205. The Organization has exposure to the following financial risks:

(a) Credit risk;

(b) Liquidity risk;

(c) Market risk.

206. The present note and note 31, Financial instruments: cash pools, present information on the Organization's exposure to those risks, the objectives, policies and processes for measuring and managing risk, and the management of capital.

Risk management framework

207. The Organization's risk management practices are in accordance with its Financial Regulations and Rules and Investment Management Guidelines. The Organization defines the capital that it manages as the aggregate of its net assets, which comprises accumulated fund balances and reserves. Its objectives are to safeguard its ability to continue as a going concern, to fund its asset base and to accomplish its objectives. The Organization manages its capital in the light of global economic conditions, the risk characteristics of the underlying assets and its current and future working capital requirements.

Financial risk management: credit risk

208. Credit risk is the risk of financial loss resulting from a counterparty to a financial instrument failing to meet its contractual obligations. Credit risk arises from cash and cash equivalents, investments, deposits and forward currency contracts with financial institutions, as well as credit exposure to outstanding receivables. The carrying value of financial assets is the maximum exposure to credit risk.

209. The investment management function is centralized at the United Nations Treasury. Other areas are not permitted, in normal circumstances, to engage in investing. An area may receive exceptional approval when conditions warrant investing locally under specified parameters that comply with the Investment Management Guidelines.

Credit risk: contributions receivable and other receivables

210. A large portion of the contributions receivable is due from sovereign Governments and supranational agencies, including other United Nations entities that do not have significant credit risk. The maximum exposure to credit risk of financial assets equals their carrying amount. As at the reporting date, the Organization held no collateral as security for receivables.

Credit risk: allowance for doubtful receivables

211. The Organization evaluates the allowance for doubtful receivables at each reporting date. An allowance is established when there is objective evidence that the Organization will not collect the full amount due. Management-approved write-offs under the Financial Regulations and Rules or reversals of previously impaired receivables are recognized directly in the statement of financial performance. The movement in the allowances account during the year is shown below.

Movement in the allowance for doubtful receivables

(Thousands of United States dollars)

	Allowance for doubtful receivables			
	Assessed contributions	*Voluntary contributions*	*Other receivables*	*Total*
As at 31 December 2014	203 193	1 779	53 169	258 141
Net movement[a]	965	2 995	58	4 018
As at 31 December 2015	**204 158**	**4 774**	**53 227**	**262 159**
Bad debt/doubtful debt expenses	14 394	2 364	5 672	22 430
Amounts written off	—	(769)	(758)	(1 527)
Other adjustments	—	49	(223)	(174)
As at 31 December 2016	**218 552**	**6 418**	**57 918**	**282 888**

[a] Regrouped to conform with the current presentation.

212. The ageing and associated allowance of assessed contributions receivable is as shown below.

Ageing of assessed contributions receivable

(Thousands of United States dollars)

	31 December 2016		*31 December 2015*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Less than one year	241 978	742	314 659	–
One to two years	45 043	13 735	73 375	–
More than two years	207 676	204 075	205 430	204 158
Total	**494 697**	**218 552**	**593 464**	**204 158**

213. The ageing and associated allowance of receivables other than assessed contributions is as shown below.

Ageing of voluntary contribution and other receivables

(Thousands of United States dollars)

	31 December 2016		*31 December 2015*	
	Gross receivable	*Allowance*	*Gross receivable*	*Allowance*
Neither past due nor impaired	690 124		466 460	–
Less than one year	253 695		203 288	849
One to two years	37 364	9 051	11 585	3 297
Two to three years	5 826	3 482	2 696	350
More than three years	51 803	51 803	54 929	53 505
Total	**1 038 812**	**64 336**	**738 958**	**58 001**

Credit risk: cash and cash equivalents

214. At the year-end, the Organization had cash and cash equivalents of $820.3 million (2015: $485.4 million), which is the maximum credit exposure on those assets.

Credit risk: currency forward contracts

215. The counterparty risk of forward contracts is limited to the profit or loss on the contract, not the notional amount. The outstanding forward contracts were performed with three banks. As at year-end, the counterparties had a Fitch viability rating of "aa-" and "a".

Credit risk: investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident

216. The United Nations Treasury makes investments on behalf of the United Nations Staff Mutual Insurance Society against Sickness and Accident. A significant proportion of those investments are in fixed-income securities comprising supranational securities, government agency securities, government securities and corporates. A portion of the Society investment portfolio is also invested in iShares SMI (Switzerland), an exchange-traded fund, with the aim of achieving a return on

investment that reflects the return of its benchmark index, the Swiss Market Index. At year-end, the Organization owned 322,430 shares (2015: 357,430 shares) of iShares SMI (Switzerland).

217. The credit ratings used are those determined by major credit-rating agencies; Standard & Poor's, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the United Nations Staff Mutual Insurance Society against Sickness and Accident credit ratings, determined by major credit-rating agencies, were as shown below.

United Nations Staff Mutual Insurance Society against Sickness and Accident credit ratings

(Percentage)

	Ratings as at 31 December 2016				*Ratings as at 31 December 2015*			
Bonds (long-term ratings)								
	AAA	*AA+/AA/AA-*	*A+/A*	*Not rated*	*AAA*	*AA+/AA/AA-*	*A+/A*	*Not rated*
Standard and Poor's	15.5	76.1	8.4		18.5	73.2	6.6	1.7
Fitch	4.3	58.3	8.4	29.0	11.0	49.6	10.0	29.4
	Aaa	*Aa1/Aa2/Aa3*	*A1*	*Not rated*	*Aaa*	*Aa1/Aa2/Aa3*	*A1*	*Not rated*
Moody's	18.8	75.9	5.3		31.6	59.5	5.9	3.0

Financial risk management: liquidity risk

218. Liquidity risk is the risk that the Organization might not have adequate funds to meet its obligations as they fall due. The Organization's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Organization's reputation.

219. The Financial Regulations and Rules of the United Nations require that expenses be incurred after the receipt of funds from donors, thereby considerably reducing the liquidity risk with regard to contributions, which are a largely stable annual cash flow. Exceptions to incurring expenses before the receipt of funds are permitted only if specified risk management criteria are adhered to with regard to amounts receivable.

220. The Organization performs cash flow forecasting and monitors rolling forecasts of liquidity requirements to ensure that there is sufficient cash to meet operational needs. Investments are made with due consideration to the cash requirements for operating purposes based on cash flow forecasting. The Organization maintains a large portion of its investments in cash equivalents and short-term investments sufficient to cover its commitments as and when they fall due.

Liquidity risk: investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident

221. The United Nations Staff Mutual Insurance Society against Sickness and Accident is exposed to low liquidity risk because there are only limited requirements to withdraw funds at short notice and it maintains sufficient cash and marketable

securities, such as the exchange-traded fund, to meet commitments as and when they fall due. As at the reporting date, the Society had invested primarily in securities with short to medium-term maturity, with the maximum being less than seven years (2015: eight years). The Society's liquidity risk is therefore considered to be low.

Liquidity risk: financial liabilities

222. The exposure to liquidity risk is based on the notion that the entity may encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely owing to the cash and cash equivalents, receivables and investments available to the entity and internal policies and procedures put in place to ensure that there are appropriate resources to meet its financial obligations. As at the reporting date, the Organization had pledged no (2015: none) collateral for any liabilities or contingent liabilities, and during the year no accounts payable or other liabilities were forgiven by third parties. Maturities for financial liabilities based on the earliest date at which the Organization can be required to settle each financial liability are as shown below.

Maturities for financial liabilities as at 31 December 2016

(Undiscounted thousands of United States dollars)

	3 months	*3 to 12 months*	*1 year*	*Total*
Accounts payable and accrued liabilities	372 518	–	–	372 518
Tax Equalization Fund liability	74 795	–	–	74 795
Other liabilities	5 216	–	477	5 693
Total	**452 529**	–	**477**	**453 006**

Maturities for financial liabilities as at 31 December 2015 (restated)

(Undiscounted thousands of United States dollars)

	3 months	*3 to 12 months*	*1 year*	*Total*
Accounts payable and accrued liabilities	447 144	–	–	447 144
Tax Equalization Fund liability	96 011	–	–	96 011
Other liabilities	7 456	–	1 670	9 126
Total	**550 611**	–	**1 670**	**552 281**

Financial risk management: market risk

223. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and prices of investment securities, will affect the Organization's revenue or the value of its financial assets and liabilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the Organization's fiscal position.

Market risk: interest rate risk

224. Interest rate risk is the risk of variability in financial instruments' fair values or future cash flows due to a change in interest rates. In general, as an interest rate rises,

the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the fixed-rate security's duration, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk. The main exposure to interest rate risks relates to the cash pools and is considered in note 31, Financial instruments: cash pools. The average duration of the investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident was 1.4 years (2015: 1.8 years), which, within the investment objectives of the Society, is considered to be an indicator of low interest rate risk.

Market risk: currency risk

225. Currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in foreign exchange rates. The Organization has transactions, assets and liabilities in currencies other than in its functional currency and is exposed to currency risk arising from fluctuations in exchange rates. Management policies and the Investment Management Guidelines require the Organization to manage its currency risk exposure.

226. The Organization's financial assets and liabilities are primarily denominated in United States dollars. Non-United States dollar financial assets primarily relate to investments in addition to cash and cash equivalents and receivables held to support local operating activities where transactions are made in local currencies. The Organization maintains a minimum level of assets in local currencies and, whenever possible, maintains bank accounts in United States dollars. The Organization mitigates currency risk exposure by structuring contributions from donors in foreign currency to correspond to the foreign currency needs for operational purposes.

227. The most significant exposure to currency risk relates to cash pool, cash and cash equivalents and investment balances, in addition to the investments of the United Nations Staff Mutual Insurance Society against Sickness and Accident. As at the reporting date, the non-United States dollar denominated balances in those financial assets were primarily euros and Swiss francs, along with 59 other currencies, as shown below.

Currency exposure as at 31 December 2016

(Thousands of United States dollars)

	United States dollar	*Euro*	*Swiss franc*	*Other*	*Total*
Main cash pool	2 867 626	11 391	476	15 210	2 894 703
Euro cash pool	–	1 577	–	–	1 577
Subtotal	**2 867 626**	**12 968**	**476**	**15 210**	**2 896 280**
United Nations Staff Mutual Insurance Society against Sickness and Accident investments	–	–	83 974	–	83 974
Total	**2 867 626**	**12 968**	**84 450**	**15 210**	**2 980 254**

Currency exposure as at 31 December 2015

(Thousands of United States dollars)

	United States dollar	*Euro*	*Swiss franc*	*Other*	*Total*
Main cash pool	2 810 498	5 603	1 325	21 508	2 838 934
Euro cash pool	–	9 716	–	–	9 716
Subtotal	**2 810 498**	**15 319**	**1 325**	**21 508**	**2 848 650**
United Nations Staff Mutual Insurance Society against Sickness and Accident investments	–	–	105 444	–	105 444
Total	**2 810 498**	**15 319**	**106 769**	**21 508**	**2 954 094**

Currency risk: sensitivity analysis

228. A strengthening or weakening of the euro and Swiss franc United Nations operational rates of exchange as at the reporting date would have affected the measurement of investments denominated in a foreign currency and increased or decreased the net assets and surplus or deficit by the amounts shown below. This analysis is based on foreign currency exchange rate variances considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

Currency exposure sensitivity analysis

(Thousands of United States dollars)

	As at 31 December 2016		*As at 31 December 2015*	
	Effect on net assets/ surplus or deficit		*Effect on net assets/ surplus or deficit*	
	Strengthening	*Weakening*	*Strengthening*	*Weakening*
Euro (10 per cent movement)	1 297	(1 297)	1 532	(1 532)
Swiss franc (10 per cent movement)	8 445	(8 445)	10 677	(10 677)

Currency risk: forward contracts

229. In 2016, the Organization entered into United States dollar to Swiss franc and euro forward contracts to hedge against currency risk in relation to the operations of the United Nations Office at Geneva being exposed to risks arising from fluctuations in payments for staff costs in Swiss francs and euros. Net realized foreign exchange gains from those contracts amounted to $11.6 million (gains in 2015: $8.8 million) for the year. The gains were recorded against employee benefits, the result of the gain being a decrease in employee benefits expenses. There were 24 (2015: 24) forward contracts outstanding as at 31 December 2016 with a notional amount of SwF 348 million and €48 million with an unrealized loss of $20.5 million, maturing in 2017.

Other market price risk

230. The Organization is not exposed to other significant market price risk as it has limited exposure to price-related risk with respect to expected purchases of certain commodities used in normal operations. Therefore, a change in those prices can only alter cash flows by an immaterial amount.

Accounting classifications and fair value

231. The carrying value of fair value through surplus or deficit investments is fair value. For cash and cash equivalents, receivables and accounts payable, carrying value is a fair approximation of fair value, except for non-current voluntary contributions receivable, which are reported at amortized cost calculated using the effective interest method as at 31 December 2016.

Fair value hierarchy

232. The table below analyses financial instruments carried at fair value, by the fair value hierarchy levels. The levels are defined as:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);

(c) Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

233. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the cash pools is the current bid price.

234. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

235. There were no level 3 financial assets or any liabilities carried at fair value or any transfers of financial assets between fair value hierarchy classifications. The fair value hierarchy for the cash pools is disclosed in note 31, Financial instruments: cash pools.

Fair value hierarchy: United Nations Staff Mutual Insurance Society against Sickness and Accident

(Thousands of United States dollars)

	31 December 2016			*31 December 2015*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Exchange — traded fund	26 795	–	26 795	32 998	–	32 998
Bonds — corporate	36 773	–	36 773	46 370	–	46 370
Bonds — non-United States agencies	8 206	–	8 206	8 955	–	8 955
Bonds — non-United States sovereigns	–	–	–	2 756	–	2 756
Bonds — supranationals	2 107	–	2 107	2 936	–	2 936
Total[a]	**73 881**	**–**	**73 881**	**94 015**	**–**	**94 015**

[a] The total amount does not include accrued investment revenue of $0.376 million (2015: $0.553 million).

Note 31
Financial instruments: cash pools

236. In addition to directly held cash and cash equivalents and investments, the Organization participates in the United Nations Treasury cash pools. Pooling the funds has a positive effect on overall investment performance and risk because of economies of scale and the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

237. The Organization participates in two United Nations Treasury managed cash pools:

(a) The main pool, which comprises operational bank account balances in a number of currencies and investments in United States dollars;

(b) The euro pool, which comprises investments in euros. The pool participants are mostly offices of the Secretariat away from Headquarters that may have a surplus of euros from their operations.

238. As at 31 December 2016, the cash pools held total assets of $9,039.8 million (2015: $7,827.4 million), of which $2,896.3 million (2015: $2,848.6 million) was due to the Organization, and its share of revenue from cash pools was $22.6 million (2015: $14.0 million).

Summary of assets and liabilities of the cash pools as at 31 December 2016

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through surplus or deficit			
Short-term investments	4 389 616	–	4 389 616
Long-term investments	2 125 718	–	2 125 718
Total fair value through surplus or deficit investments	**6 515 334**	**–**	**6 515 334**
Loans and receivables			
Cash and cash equivalents	2 493 332	6 161	2 499 493
Accrued investment revenue	24 961	–	24 961
Total loans and receivables	**2 518 293**	**6 161**	**2 524 454**
Total carrying amount of financial assets	**9 033 627**	**6 161**	**9 039 788**
Cash pool liabilities			
Payable to funds reported in United Nations volume I	2 894 703	1 577	2 896 280
Payable to other cash pool participants	6 138 924	4 584	6 143 508
Total liabilities	**9 033 627**	**6 161**	**9 039 788**
Net assets	**–**	**–**	**–**

Summary of revenue and expenses of the cash pools for the year ended 31 December 2016

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Investment revenue	73 903	–	73 903
Unrealized losses	(13 474)	–	(13 474)
Investment revenue from cash pools	**60 429**	**–**	**60 429**
Foreign exchange gains/(losses)	(5 105)	728	(4 377)
Bank fees	(646)	–	(646)
Operating expenses of cash pools	**(5 751)**	**728**	**(5 023)**
Total revenue from and expenses of cash pools	**54 678**	**728**	**55 406**

Summary of assets and liabilities of the cash pools as at 31 December 2015

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Fair value through surplus or deficit			
Short-term investments	3 888 712	10 941	3 899 653
Long-term investments	2 617 626	–	2 617 626
Total fair value through surplus or deficit investments	**6 506 338**	**10 941**	**6 517 279**
Loans and receivables			
Cash and cash equivalents	1 265 068	32 637	1 297 705
Accrued investment revenue	12 462	3	12 465
Total loans and receivables	**1 277 530**	**32 640**	**1 310 170**
Total carrying amount of financial assets	**7 783 868**	**43 581**	**7 827 449**
Cash pool liabilities			
Payable to funds reported in United Nations volume I	2 838 934	9 715	2 848 649
Payable to other cash pool participants	4 944 934	33 866	4 978 800
Total liabilities	**7 783 868**	**43 581**	**7 827 449**
Net assets	–	–	–

Summary of revenue and expenses of the cash pools for the year ended 31 December 2015

(Thousands of United States dollars)

	Main pool	*Euro pool*	*Total*
Investment revenue	51 944	48	51 992
Unrealized losses	(10 824)	(4)	(10 828)
Investment revenue from cash pools	**41 120**	**44**	**41 164**
Foreign exchange losses	(11 720)	(15 300)	(27 020)
Bank fees	(525)	–	(525)
Operating expenses of cash pools	**(12 245)**	**(15 300)**	**(27 545)**
Total revenue from and expenses of cash pools	**28 875**	**(15 256)**	**13 619**

Financial risk management

239. The United Nations Treasury is responsible for investment and risk management for the cash pools, including conducting investment activities in accordance with the Investment Management Guidelines.

240. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on each investment pool. Investment quality, safety and liquidity are emphasized over the market-rate-of-return component of the objectives.

241. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

242. The Investment Management Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible cash pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The cash pools do not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

243. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

244. The credit ratings used for the cash pools are those determined by major credit-rating agencies; Standard & Poor's, Moody's and Fitch are used to rate bonds and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year-end, the credit ratings were as shown below.

Investments of the cash pools by credit ratings as at 31 December[a]

(Percentage)

Main pool	*Ratings as at 31 December 2016*				*Ratings as at 31 December 2015*		
Bonds (long-term ratings)							
	AAA	*AA+/AA/AA-*	*BBB*	*Not rated*	*AAA*	*AA+/AA/AA-*	*Not rated*
Standard & Poor's	33.6	55.1	5.6	5.7	37.7	54.2	8.1
Fitch	62.4	28.3	0.0	9.3	61.9	26.5	11.6
	Aaa	*Aa1/Aa2/Aa3*			*Aaa*	*Aa1/Aa2/Aa3*	
Moody's	50.3	49.7			65.8	34.2	
Commercial papers (short-term ratings)							
	A-1				*A-1+/A-1*		
Standard & Poor's	100.0				100.0		
	F1				*F1+*		
Fitch	100.0				100.0		
	P-1				*P-1*		
Moody's	100.0				100.0		
Reverse repurchase agreement (short-term ratings)							
	A-1+				*A-1+*		
Standard & Poor's	100.0				100.0		
	F1+				*F1+*		
Fitch	100.0				100.0		
	P-1				*P-1*		
Moody's	100.0				100.0		
Term deposits (Fitch viability ratings)							
	aaa	*aa/aa-*	*a+/a*		*aaa*	*aa/aa-*	*a+/a*
Fitch	–	48.1	51.9		–	53.6	46.4

[a] No investments were held as at 31 December 2016 in the euro pool.

245. The United Nations Treasury actively monitors credit ratings and, because the Organization has invested only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for impaired investments.

Financial risk management: liquidity risk

246. The cash pools are exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. They maintain sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The cash pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

247. The cash pools comprise the Organization's main exposure to interest rate risk with fixed-rate cash and cash equivalents and investments being interest-bearing

financial instruments. As at the reporting date, the cash pools had invested primarily in securities with shorter terms to maturity, with the maximum being less than five years (2015: five years). The average durations of the main pool and the euro pool were 0.71 years (2015: 0.86 years) and 0 years (2015: 0.21 years) respectively, which are considered to be an indicator of low risk.

Cash pool interest rate risk sensitivity analysis

248. The analysis shows how the fair value of the cash pools as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown below (100 basis points equals 1 per cent). The basis point shifts are illustrative.

Organization's share of cash pool interest rate risk sensitivity analysis as at 31 December 2016

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*50*	*100*	*150*	*200*
Increase/(decrease) in fair value (Millions of United States dollars)									
Total, main pool	**39.85**	**29.88**	**19.92**	**9.96**	**–**	**(9.96)**	**(19.91)**	**(29.87)**	**(39.82)**
Total, euro pool	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total	**39.85**	**29.88**	**19.92**	**9.96**	**–**	**(9.96)**	**(19.91)**	**(29.87)**	**(39.82)**

Organization's share of cash pool interest rate risk sensitivity analysis as at 31 December 2015

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*50*	*100*	*150*	*200*
Increase/(decrease) in fair value (Millions of United States dollars)									
Total, main pool	**47.05**	**35.28**	**23.52**	**11.76**	**–**	**(11.75)**	**(23.51)**	**(35.26)**	**(47.02)**
Total, euro pool	**0.01**	**0.01**	**0.01**	**0.00**	**–**	**(0.00)**	**(0.01)**	**(0.01)**	**(0.01)**
Total	**47.06**	**35.29**	**23.53**	**11.76**	**–**	**(11.75)**	**(23.52)**	**(35.27)**	**(47.03)**

Other market price risk

249. The cash pools are not exposed to significant other price risks because they do not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

250. All investments are reported at fair value through surplus and deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value. The following fair value hierarchy presents the cash pool assets that are

measured at fair value as at the reporting date. There were no level 3 financial assets or any significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December: cash pools

(Thousands of United States dollars)

	31 December 2016			31 December 2015		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial assets at fair value through surplus or deficit						
Bonds — corporate	697 676	—	697 676	149 682	—	149 682
Bonds — non-United States agencies	1 903 557	—	1 903 557	2 190 965	—	2 190 965
Bonds — non-United States sovereigns	124 854	—	124 854	124 612	—	124 612
Bonds — supranational	213 224	—	213 224	139 828	—	139 828
Bonds — United States treasuries	586 739	—	586 739	1 092 139	—	1 092 139
Main pool — commercial papers	149 284	—	149 284	949 112	—	949 112
Main pool — term deposits	—	2 840 000	2 840 000	—	1 860 000	1 860 000
Subtotal, main pool	**3 675 334**	**2 840 000**	**6 515 334**	**4 646 338**	**1 860 000**	**6 506 338**
Euro pool — bonds						
Non-United States sovereigns	—	—	—	—	—	—
Euro pool — term deposits	—	—	—	—	10 941	10 941
Subtotal, euro pool				—	**10 941**	**10 941**
Total	**3 675 334**	**2 840 000**	**6 515 334**	**4 646 338**	**1 870 941**	**6 517 279**

Note 32
Related parties

Key management personnel

251. Key management personnel are those with the ability to exercise significant influence over the financial and operating decisions of the Organization. For the operations of the United Nations as reported in volume I, the key management personnel group comprises the Secretary-General, the Deputy Secretary-General and selected officials at the Under-Secretary-General, Assistant Secretary-General and Director levels. Those persons have the relevant authority and responsibility for planning, directing and controlling the Organization's activities.

252. The aggregate remuneration paid to 12 (full-time equivalent) (2015: 12) key management personnel includes gross salaries, post adjustment and other entitlements such as grants, subsidies and employer pension and health insurance contributions.

(Thousands of United States dollars)

	2016	2015
Salary and post adjustment	3 527	3 488
Other monetary entitlements	831	721
Non-monetary benefits	1 200	1 200
Total remuneration for the year	**5 558**	**5 409**

253. A residence, with an annual rental fair value equivalent of $1.2 million (2015: $1.2 million), is provided to the Secretary-General free of charge. A family member of key management personnel was employed by the Organization and $0.113 million (2015: $0.293 million) was transacted by the Organization with the close family member in the year. Advances made to key management personnel are those made against entitlements in accordance with the Staff Regulations of the United Nations and Staff Rules; any such advances against entitlements are widely available to all staff of the Organization.

Related entity transactions

254. The Organization provides grants to related party entities as shown below.

Grants provided to related party entities

(Thousands of United States dollars)

	2016	2015
United Nations Office on Drugs and Crime	30 142	28 825
United Nations Environment Programme	23 970	20 226
United Nations Human Settlements Programme	14 100	16 937
International Trade Centre	18 695	18 647
United Nations Entity for Gender Equality and the Empowerment of Women	7 781	9 291
United Nations Relief and Works Agency for Palestine Refugees in the Near East	28 599	31 130
Office of the United Nations High Commissioner for Refugees	41 045	44 364
Total	**164 332**	**169 420**

Trust fund activities related to peacekeeping and tribunal operations

255. The following funds relating to peacekeeping and tribunal operations are structured as trust funds and, accordingly, appear in the financial statements of the United Nations. The reserves and fund balances of these related trust funds as at the year-end are shown below.

Financial results for activities related to peacekeeping operations funded by trust funds for the fiscal year ended 31 December 2016

(Thousands of United States dollars)

Trust Fund	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*
Trust fund in support of the delimitation and demarcation of the Ethiopia-Eritrea border	1 431	9	–	1 440
Trust fund for Somalia - unified command	395	3	–	398
Trust fund in support of the implementation of the agreement on a ceasefire and separation of forces signed in Moscow on 14 May 1994	8	–	–	8
Trust fund for the police assistance programme in Bosnia and Herzegovina	311	2		313
Trust fund in support of United Nations peacemaking and peacekeeping activities	3 928	(125)	254	3 549
Trust fund in support of the Department of Peacekeeping Operations	50 755	29 956	15 364	65 347
Trust fund to support the peace process in the Democratic Republic of the Congo	2 137	569	40	2 666
Trust fund to support the United Nations Interim Administration in Kosovo	1 062	7	–	1 069
Trust fund to support the Ituri Pacification Commission	7	–	–	7
Trust fund in support of the peace process in the Sudan	696	4	–	700
Trust fund for the African Union-United Nations Joint Mediation Support Team for Darfur	6 671	51	150	6 572
Trust fund for the support of the activities of the United Nations Mission in the Central African Republic and Chad	1 695	11	–	1 706
Sub-fund of the United Nations trust fund in support of the African Union Mission in Somalia	26 534	26 820	19 207	34 147
Trust fund to support lasting peace in Darfur	790	16	423	383
Trust fund for support to the African-led International Support Mission in Mali	5 731	(4 717)	(9)	1 023
Trust fund in support of peace and security in Mali	13 750	18 094	7 181	24 663
Trust fund for the United Nations Operation in Côte d'Ivoire	262	2	93	171
Trust fund in support of the political transition in Haiti	1 020	8	179	849
Trust fund in support of the African-led International Support Mission in the Central African Republic	3 344	(2 970)	126	248
Trust fund in support of peace and security in Libya	44	–	–	44
Trust fund in support of the elimination of Syrian chemical weapons	2 456	(1 637)	–	819
Total	**123 027**	**66 103**	**43 008**	**146 122**

Financial results for activities related to tribunal operations funded by trust funds for the fiscal year ended 31 December 2016

(Thousands of United States dollars)

Trust Fund	*Net assets at the beginning of the period*	*Income*	*Expenses*	*Net assets at the end of the period*
Voluntary fund to support the activities of the international tribunal established by Security Council resolution 827 (1993)	1 035	(247)	345	1 133
Trust fund for the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda	113	28	11	152
Trust fund to support the activities of the International Residual Mechanism for Criminal Tribunals	100	1	–	101
Total	**1 248**	**(218)**	**356**	**1 386**

Receivables due from peacekeeping operations

256. The Organization has receivables in the amount of $37.4 million (2015: $37.4 million) and $10.0 million (2015: $10.0 million) due from the United Nations Operation in the Congo and the United Nations Emergency Force, respectively. Those missions closed on 30 June 1964 and 30 June 1978, respectively, and the Organization has recorded a 100 per cent allowance for those doubtful receivables.

Note 33
Leases and commitments

Finance leases

257. The Organization leases certain communications and information technology equipment under commercial finance leases and holds some donated right-to-use real estate arrangements that meet the criteria of finance leases. As at the year-end, the carrying value of the commercial finance leases totalled $1.4 million (2015: $2.6 million) and the carrying value of donated right-to-use real estate arrangements meeting the finance lease recognition criteria totalled $73.5 million (2015: $77.5 million). The major portion of the donated right-to-use amount relates to the $72.9 million (2015: $76.8 million) interest in the Vienna International Centre, with the remaining amount relating to the Asian and Pacific Centre for Transfer of Technology (ESCAP) and the ESCAP Subregional Office for South and South-West Asia, both located in New Delhi, and the Department of Public Information/United Nations Information Centre offices in Brazzaville and Ouagadougou. These donated right-to-use agreements indicate that host Governments will provide premises to the Organization for free for a period longer than 35 years or for as long as the United Nations remains in the respective countries and uses the underlying premises for the intended purposes. The statement of financial performance includes finance costs of $0.121 million (2015: $0.184 million) relating to commercial finance lease arrangements. The net year-end carrying value for each class of asset is as shown below.

Net finance lease asset carrying value

(Thousands of United States dollars)

	Donated right-to-use premises: Vienna International Centre	*Other donated right-to-use premises*	*Communications and information technology equipment*	*Total*
As at 31 December 2016	72 861	650	1 403	**74 914**
As at 31 December 2015	76 816	691	2 570	**80 077**

258. Future minimum finance lease payments under non-cancellable arrangements are as shown below.

Obligations for finance leases: minimum lease payments

(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Due in less than 1 year	1 134	958
Due in 1 to 5 years	477	1 612
Total present value of minimum finance lease payments	**1 611**	**2 570**
Future finance charges	58	180
Total minimum finance lease payments	**1 669**	**2 750**

Operating leases

259. The Organization has entered into several operating lease agreements for land, offices, residential space and machinery and equipment. While some of the agreements are under commercial terms, others are for space provided to the United Nations by host Governments on a free-of-charge or nominal-fee basis. Rental value equivalent was estimated and recognized as an expense and in-kind contributions were presented in the statement of financial performance as voluntary contributions revenue. Operating lease expenses for the year total $154.9 million (2015: $205.1 million). Future minimum lease payments under non-cancellable operating leases are as shown below.

Obligations for operating leases: minimum lease payments

(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Due in less than 1 year	68 804	75 648
Due in 1 to 5 years	151 008	83 398
Due after 5 years	87 752	3 576
Total minimum operating lease obligations	**307 564**	**162 622**

260. The operating leases are generally for a term of between 1 and 10 years, with some leases allowing an extension beyond the expiry date and/or permitting early

termination with notice to the landlord of 30, 60 or 90 days. The amounts present future obligations for the minimum contractual term, taking into consideration rent increases in accordance with the terms of the lease agreements. None of the leases and real estate agreements contains purchase options.

Leasing arrangements where the Organization is the lessor

261. The Organization leases out assets to other parties through operating leases. Future minimum lease receipts for those arrangements are showed below.

Operating leases receipts
(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Receipts due in less than 1 year	12 530	13 058
Receipts due in 1 to 5 years	31 203	13 071
Receipts due after 5 years	7	–
Total minimum operating lease receipts (undiscounted)	**43 740**	**26 129**

262. As at 31 December 2016, the total of future minimum sublease payments expected to be received under subleases were $3.9 million (2015: $4.3 million).

Contractual commitments

263. At the year-end, commitments to transfer funds to implementing partners and for property, plant and equipment, intangible assets and goods and services contracted but not delivered were as follows.

Contractual commitments
(Thousands of United States dollars)

	As at 31 December 2016	*As at 31 December 2015*
Transfer of moneys to implementing partners	229 325	69 612
Property, plant and equipment	51 455	27 033
Intangibles	6 767	10 134
Goods and services	285 082	335 031
Total open contractual commitments	**572 629**	**441 810**

Note 34
Contingent liabilities and contingent assets

Contingent liabilities

264. The Organization is subject to a variety of claims that arise from time to time in the ordinary course of its operations. These claims are segregated into three main categories: commercial claims, administration of justice claims (cases brought by current or former United Nations staff members against the Secretary-General) and any other claims.

265. Consistent with IPSAS, contingent liabilities are disclosed for pending claims where the probability of an obligation and the potential outflow of resources cannot be measured with sufficient reliability. As at 31 December 2016, the estimated value of such contingent liabilities relating to commercial claims and other claims of a private law nature totalled $0.141 million (2015: $1.2 million).

266. Similarly, no provision for loss has been recorded for administration of justice claims where the outcome is determined to be unpredictable and potential outflow uncertain. These cases concern, in most part, appointment-related matters, benefits and entitlement, and separation from service. The total projected outflow for such cases as at 31 December 2016 was estimated at $1.1 million (2015: $11.7 million), which is the combined amount of $0.284 million carried over from the prior reporting period and an additional amount of $0.806 million for cases filed during the course of 2016. Management does not expect the ultimate resolution of any of the proceedings to which it is party to have a significant adverse effect on its financial position, performance or cash flows.

267. No contingent liabilities arose from the Organization's interest in jointly controlled entities or joint venture operations over which the Organization has significant influence.

Contingent assets

268. In accordance with IPSAS 19, the Organization discloses contingent assets when an event gives rise to a probable inflow of economic benefits or service potential to the Organization and there is sufficient information to assess the probability of that inflow. As at 31 December 2016, there were no material contingent assets arising from the Organization's legal actions and interests in joint ventures that were likely to result in a significant economic inflow.

Note 35
Events after the reporting date

269. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and that on which the financial statements were authorized for issue that would have had a material impact on these statements.